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COUNCIL

LISBON

THE IMPACT OF TRAVEL & TOURISM
ON JOBS AND THE ECONOMY



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THE WORLD TRAVEL & TOURISM COUNCIL (WTTC) IS THE GLOBAL BUSINESS LEADERS' FORUM FOR TRAVEL & TOURISM, WORKING WITH GOVERNMENTS TO RAISE AWARENESS OF THE INDUSTRY'S ROLE AS THE WORLD'S LARGEST GENERATOR OF WEALTH AND JOBS.

With a membership of chairs and chief executives of more than 100 of the world's foremost travel related companies, WTTC has a unique mandate on all matters related to success in Travel & Tourism.

WTTC is delighted to present the findings of this Simulated Tourism Satellite Account project for the Lisbon region. As one of the world's first capital city economies to develop Simulated Tourism Satellite Accounting, the Lisbon region has gained comprehensive understanding of the value of Travel & Tourism to the economy and job creation of the entire region.

This research, commissioned by Turismo de Lisboa, provides the region's decision-makers with key quantitative and qualitative information that will support sound policy decisions. Furthermore, local, national and international policy leaders and investors can gain valuable insights into the opportunities available across the region.

Highlights of the results include Travel & Tourism's direct and indirect impact on the Lisbon region, which will contribute 9.1 per cent of gross domestic product in 2007, growing at a rate of 4.6 per cent per annum over the coming decade, to reach 11.3 per cent by 2017. By comparison, the annual growth of Travel & Tourism's contribution to GDP in Portugal will be 3.2 per cent, and 2.8 per cent across the European Union.

In employment terms, Travel & Tourism is forecast to account for 9.8 per cent of total employment (139,000 jobs) this year across the Lisbon region, growing to 13.3 per cent (189,900 jobs) by 2017. The

Lisbon region's annual growth rate in employment of 3.2 per cent is much higher than that of Portugal (1.0 per cent) and the European Union (1.3 per cent).

Certainly, the findings in this report reflect the strength of Travel & Tourism in the Lisbon region and point to a strong performance over the coming decade. Nevertheless, the tourism potential of this region is a long way from being fully tapped and, given its wealth of wide-ranging attractions, the opportunities for growth are enormous – much greater even than the base forecasts would suggest. However, there is no room for complacency. International competition is fierce. A concerted effort will be required by all the key stakeholders, to ensure that these forecasts are reached and even surpassed.

This report sets out a series of WTTC recommendations on policies aimed at realizing the full potential of Travel & Tourism to the region's economy and its people, and at nurturing its cultural and natural environment for long-term, sustained growth. These recommendations were developed together with the valuable input of public and private sector decision-makers in the Lisbon region, as well as international Travel & Tourism experts and potential investors. WTTC is ready to support Turismo de Lisboa in the adaptation and implementation of these policies.



Jean-Claude Baumgarten
President, World Travel & Tourism Council



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EXECUTIVE SUMMARY

THE LISBON REGION IS PORTUGAL'S BEST-KNOWN TOURISM REGION, AND IS THE SECOND MOST IMPORTANT AFTER THE ALGARVE IN TERMS OF TOURIST OVERNIGHT VOLUME. IT IS ALREADY FIRMLY ESTABLISHED AS ONE OF EUROPE'S LEADING CONFERENCE DESTINATIONS AND IS INCREASINGLY POPULAR FOR LEISURE TOURISM, ESPECIALLY CITY BREAKS. NEVERTHELESS, ITS TOURISM POTENTIAL IS A LONG WAY FROM BEING FULLY TAPPED AND, GIVEN ITS WEALTH OF WIDE-RANGING ATTRACTIONS, THE OPPORTUNITIES FOR GROWTH ARE ENORMOUS – MUCH GREATER EVEN THAN THE BASE FORECASTS WOULD SUGGEST.

The Lisbon region is probably the only region in Europe that packs so much variety and choice for tourists into such a small geographical area. Among the most popular attractions are its Atlantic coast, with its fine white sandy beaches, the city's famous squares, historic buildings and monuments – reflecting a diverse architecture and a cultural heritage spanning nine centuries – and the local cuisine and shopping. For the more energetic, the region boasts facilities for all kinds of water- and land-based sports, including numerous golf courses, and its entertainment facilities – among which Europe's largest casino – cater to all tastes and budgets.

Although the industry has suffered mixed fortunes through the past couple of decades, with performance fluctuating from year to year, Travel & Tourism demand has been boosted by the region's hosting of different international events since the late 1990s, all of which have helped to put the region on the world tourism map. After several flat years, 2006 also saw a strong recovery. Travel & Tourism is indisputably of strategic importance to the Lisbon region, and current forecasts from WTTC and its research partner, Oxford Economics, suggest that its contribution to the region's economic and social development is set to increase over the coming years.

But it will not be enough to sit around and simply wait for these forecasts to materialize. The forecasts need to be built into a sustainable tourism policy and action plan, with input and support from all stakeholders. Despite the region's many attractions – not to mention

its image as a safe and secure destination away from the main centres of terrorism – there are still a number of issues that need to be addressed if the Lisbon region is to fulfil its Travel & Tourism growth promise.

Among the different measures recommended by WTTC, the most pressing include the regeneration and renewal of existing facilities and attractions, infrastructure and product improvements, investment facilitation and streamlining of planning procedures, as well as increased marketing and promotion.

The public authorities have an obligation to local businesses and residents to facilitate tourism development and to ensure that the potential for economic growth promised by Travel & Tourism is fully realized.

Additional measures recommended in this report set the stage to help ensure the larger rewards that Travel & Tourism can bring.

PUBLIC-PRIVATE SYNERGY

Historically, in the Lisbon region, there has been a lack of awareness as to the importance of Travel & Tourism and its far-reaching impact on other sectors, as well as its influence on reducing regional imbalances and stimulating economic and social development across the region.

WTTC encourages the regional authorities to lead a major communications effort to share the findings of this report regionally, nationally and internationally, and to stimulate public-private sector dialogue towards an agreed consensus of action, in order to realize and even surpass baseline forecasts. Dialogue should extend to all the different groups, sectors and industries involved in Travel & Tourism. The public and private sectors should work in partnership to develop a long-term policy for Travel & Tourism regeneration, as well as defining a shared vision for the future of the region's Travel & Tourism, promoting this vision widely, and positioning Lisbon as an international brand.

VISITOR EXPORTS

The WTTC/Oxford Economics forecasts for Visitor Exports – visitor spending, of which 85 per cent is by foreign tourists – are extremely positive for the Lisbon region, and are consistent with a projected 50 per cent increase in foreign arrivals over the next ten years, to around 3.8 million in 2017.

Foreign tourist overnights, which exceeded 5.8 million in 2006 – 71 per cent of total overnight volume – should see similar growth. But these forecasts cannot be taken for granted. Although the Lisbon region, like the rest of Portugal, is unlikely to be exposed to major destabilizing shocks such as natural disasters or terrorist attacks targeting tourists, the forecasts do assume that the public authorities – at national as well as at regional level – will make every effort to facilitate and stimulate this growth. This includes infrastructure improvements, new product development, increased marketing and promotions and investment facilitation.

THE BASELINE FORECASTS – A REALITY CHECK

The baseline forecasts for the Lisbon region's Travel & Tourism are generally very positive.

Over the next ten years, according to WTTC/Oxford Economics, total Travel & Tourism Demand in the Lisbon region is forecast to rise by 4.1 per cent per annum – comfortably exceeding the projected 3.1 per cent annual growth in Travel & Tourism Demand projected for Portugal as a whole, and the expected 3.3 per cent for the European Union.

Travel & Tourism in the Lisbon region is also forecast to achieve annualized real growth of 4.6 per cent, in terms of GDP, over the same ten-year period. This compares with just 3.2 per cent for Portugal overall and 2.8 per cent for the EU, and should take the share of Travel & Tourism Economy GDP in the Lisbon region to 11.3 per cent by 2017. This would be on a par with its level in the EU, but would nevertheless fall short of Travel & Tourism GDP's 16.9 per cent share in Portugal.

In 2007, the wider Travel & Tourism Economy is expected to account for 139,100 jobs, representing 9.8 per cent of total employment (compared with 18.4 per cent in Portugal and 11.8 per cent in the EU). This share should rise by 3.2 per cent a year over the next decade, reaching 13.3 per cent, or just under 190,000 jobs by 2017.

Visitor exports in the Lisbon region – 85 per cent of which are generated by foreign tourists – are expected to total €3.2 billion in 2007, and will then increase by an estimated 6.3 per cent a year until 2017, more than doubling in volume over the ten-year period to €7.3 billion, or a 26.2 per cent share of total exports for the region.

The prognosis for capital investment is less bullish. After a 2.9 per cent decline in 2007, capital investment in the Lisbon region is projected to rise by an average 3.6 per cent per annum over the next ten years. But this rate of growth will only serve to maintain its current 11.3 per cent share of total investment.

Meanwhile, government expenditures on Travel & Tourism, which are currently estimated at 4.6 per cent of total government expenditures, are expected to fall to 3.8 per cent over the next ten years, due to a minimal 0.4 per cent annual growth between 2007 and 2017.

ACCESSIBILITY

Lisbon's prospects for economic growth through Travel & Tourism depend heavily on the accessibility of the region via all the different transport modes. Air transport, in particular, is of vital importance in linking Lisbon to key international tourism markets.

One of the main reasons why Lisbon took longer than many of Europe's other urban destinations to become popular for city breaks is that it is located further away from key source markets. The average flight time from the main origin points is around three hours, as against only one to two hours for Europe's city-break leaders.

Nevertheless, the emergence and expansion of low-cost airlines, together with a general decrease in the cost of flying, has boosted demand for the region as a new destination offering huge variety and choice. The problem is that the existing airport is reaching saturation and the planned new Lisbon International Airport will not be completed until 2017. WTTC advises the public authorities to make every effort to stretch capacity and ensure maximum efficiency of operations in the interim, as well as providing seamless connections between the airport, the rail and road hubs and important tourism destinations in the region.

INFRASTRUCTURE

In addition to enhancing transport infrastructure in the Lisbon region, ensuring adequate capacity and seamless connections for tourists through the Lisbon hub, tourism infrastructure generally needs upgrading and modernizing. There are many examples of infrastructure weaknesses that could prevent the region from realizing its full Travel & Tourism potential.

The region extends across a vast land mass and covers several small and distinct communities, towns and districts, which possess contrasting tourism attractions. Moreover, many of Lisbon's attractions are unique to the region, so they are able to ensure an unparalleled, authentic Travel & Tourism experience for visitors. WTTC advocates a strategic focus on planning and development for each district, with an emphasis on each district's unique attributes and opportunities. With the full commitment of the different public authorities

involved in planning and tourism, as well as that of the private sector and other interest groups, the Lisbon region will be ready to execute a phased development policy for the regeneration and renewal of Travel & Tourism across the region. This could include the upgrading of pedestrian areas and public spaces, the restoration of old buildings, and the transformation of parks into areas for relaxation and entertainment.

CAPITAL INVESTMENT

The growth prospects for Travel & Tourism Capital Investment in the Lisbon region over the next ten years are relatively modest, especially by comparison with the region's competitors. Even more established tourism destinations, such as Spain, Greece and Malta, can look forward to higher growth rates.

An average annual increase of 3.6 per cent – the rate projected by WTTC/Oxford Economics – would also mean a stagnation in the share of Travel & Tourism Capital Investment in total investment in the region, causing Lisbon to fall further behind. The public authorities need to invest more heavily in key assets, such as infrastructure and airport capacity, providing a seamless transport network, as well as restoring the city's architectural heritage. But the government must also renew efforts to attract private sector investment, cutting red tape, simplifying planning application procedures, and introducing incentives for potential investors, whether local or foreign.

GOVERNMENT EXPENDITURES

This new simulated Tourism Satellite Account (TSA) for the Lisbon region shows that the public authorities – both national and regional – allocate some 4.6 per cent of their total expenditures to providing individual and collective government Travel & Tourism services to visitors, travel companies and the community at large.

This is well below the level of expenditure in competing destinations. More seriously, WTTC/Oxford Economics expect the share to fall to 3.8 per cent by 2017 as a result of a very modest 0.4 per cent annual growth over the next ten years. This is likely to prove sorely inadequate to service the needs of a fast

growing industry, whose visitor exports are forecast to rise by 6.3 per cent a year over the period. It is critical for government to allocate sufficient funding for support services to ensure that the industry can cope with the projected growth and maintain quality service delivery.

EMPLOYMENT

Travel & Tourism Industry Employment is expected to grow by 3.4 per cent a year in the ten years to 2017, while employment in the wider Travel & Tourism Economy will average 3.2 per cent. This will take their respective shares of total employment in the Lisbon region to 7.7 per cent and 13.3 per cent by 2017.

Although the growth is relatively modest, it ranks favourably in comparison with that forecast in European and Mediterranean destinations. Nevertheless, the 50,000 or so additional jobs that will result from this growth may well be inadequate to meet the needs of the forecast arrivals growth. Moreover, there is likely to be a shortage of skilled and qualified personnel in certain sectors of the Travel & Tourism industry, especially at management level. WTTC encourages the national and regional authorities to take stock of the situation and to support all industry efforts to develop human capital to deliver service excellence, working with industry and academia to provide appropriate educational and training programmes at all levels, including ongoing training for people already working in Travel & Tourism.

MARKET & PRODUCT DIVERSIFICATION

According to a survey carried out by the Observatório de Turismo de Lisboa, the majority of tourists who currently visit the Lisbon region are on short city breaks (51 per cent in 2005), or travelling for business-related reasons (37 per cent). Lisbon is already well established as a conference destination – it was the eighth most popular destination for meetings in 2004, according to criteria laid down by ICCA.

These trends have been taken into account in the elaboration of the National Strategic Plan for Tourism, which stipulates that tourism growth in the Lisbon region – at least in the short term – should be stimulated by the development of cultural tourism products,

including city-break programmes, touring packages and business tourism options.

However, following the consultations and focus groups carried out with local and international business leaders in the Lisbon region, WTTC recognizes that there are many other products using the region's natural assets that could be further developed, as well as better marketed and promoted. These include products for market segments interested in golf, sun & beach, water sports, ecotourism, health and well-being, cuisine and wine.

Most importantly, WTTC encourages the Portuguese Government and regional and municipal authorities to review the potential for Travel & Tourism activity along the Tagus and Sado rivers, as well as in Atlantic coastal areas, and to undertake a concerted investment programme in partnership with the private sector so as to tap the opportunities for urban regeneration along the entire river and sea coasts.

MARKETING & PROMOTION

WTTC fully supports Turismo de Lisboa's new Strategic Plan 2007–2010, which provides an up-to-date value proposition for Lisbon, as well as outlining a valuable approach to marketing and promoting this proposition, in close cooperation with Turismo de Portugal.

Nevertheless, WTTC maintains that, in addition to focusing on key tourism assets and attractions, stakeholders should develop and promote the unique and authentic experiences that the region can offer to visitors, and that are easily identifiable as a unique proposition for the given city.

By developing a collection of differentiated attractions, aimed at maximizing the potential of its unique historical, natural and cultural assets, the Lisbon region will be able to create its own brand, or strategic space, in the global Travel & Tourism market. A brand offers potential visitors a promise of the experience that they are likely to enjoy in a given destination.

Lisbon's international competitors have been careful to identify and promote iconic landmarks, which can be easily identified by target audiences. WTTC encourages Lisbon to promote the landmarks of its region in a similar fashion, positioning them among the world's most recognizable tourism brands.

ECONOMIC IMPACT

IN 2007, LISBON'S TRAVEL & TOURISM IS EXPECTED TO GENERATE €9.5 BN (US\$12.7 BN) OF ECONOMIC ACTIVITY (TOTAL DEMAND). THE INDUSTRY'S DIRECT IMPACT INCLUDES:

78,686

jobs representing 5.5% of total
EMPLOYMENT.

€2,819 mn

(US\$3,754 mn) of
GROSS DOMESTIC PRODUCT (GDP)
equivalent to 4.8% of total GDP.

HOWEVER, SINCE TRAVEL & TOURISM TOUCHES ALL SECTORS OF THE ECONOMY, ITS REAL IMPACT IS EVEN GREATER. LISBON'S TRAVEL & TOURISM ECONOMY DIRECTLY AND INDIRECTLY ACCOUNTS FOR:

139,069

jobs representing 9.8%
of total EMPLOYMENT.

€5,385 mn

(US\$7,171 mn) of
GROSS DOMESTIC PRODUCT (GDP)
equivalent to 9.1% of total GDP.

€3,822 mn

(US\$5,090 mn) of
EXPORTS, SERVICES & MERCHANDISE
or 23.7% of total Exports.

€1,239 mn

(US\$1,650 mn) of
CAPITAL INVESTMENT
or 11.3% of total investment.

€462 mn

(US\$615 mn) of
GOVERNMENT EXPENDITURES
or a 4.6% share.

GROWTH

IN 2007, TRAVEL & TOURISM IN LISBON IS FORECAST TO SEE REAL GROWTH OF:

14.1%

in TRAVEL & TOURISM INDUSTRY GDP to €2.8 bn (US\$3.8 bn) for the industry directly and 10.3% to €5.4 bn (US\$7.2 bn) for the Travel & Tourism Economy overall (direct and indirect expenditures).

2.5%

in TRAVEL & TOURISM INDUSTRY EMPLOYMENT (direct impact only), to 78,686 jobs, and 1.5% to 139,069 jobs in the Travel & Tourism Economy overall (direct and indirect).

OVER THE NEXT TEN YEARS, LISBON'S TRAVEL & TOURISM IS EXPECTED TO ACHIEVE ANNUALIZED REAL GROWTH OF:

4.1%

in total TRAVEL & TOURISM DEMAND, to €17.4 bn (US\$23.2 bn) in 2017.

5.1%

in total TRAVEL & TOURISM GDP, to €5.7 bn (US\$6.9 bn) in 2017 for the industry directly and to €10.3 bn (US\$12.5 bn) for the Travel & Tourism Economy overall.

3.4%

in TRAVEL & TOURISM EMPLOYMENT, to 109,597 jobs directly in the industry, and 3.2% to 189,930 jobs in the Travel & Tourism Economy overall in 2017.

6.3%

in VISITOR EXPORTS, rising to €7.3 bn (US\$8.9 bn) by 2017.

3.6%

in terms of CAPITAL INVESTMENT, increasing to €2.2 bn (US\$2.6 bn) in 2017.

0.4%

in terms of GOVERNMENT EXPENDITURES to €0.6 bn (US\$0.7 bn) in 2017.



LISBON'S TRAVEL & TOURISM

OVERVIEW OF CURRENT TRENDS AND DEVELOPMENTS



INTRODUCTION

A wealth of attractions

The Lisbon region is one of the best-known regions of Portugal, second only to the Algarve in terms of tourist overnight volume. Preliminary estimates point to just under 2.4 million domestic nights in 2006 and more than 5.8 million overnights by foreign tourists – representing increases of 11 per cent and 13 per cent respectively over 2005's level, which was well above the growth count for Portugal overall.

Located at Europe's most westerly point, midway between the north and south of Portugal's western coast, and on the estuary and banks of the River Tagus, the Lisbon region boasts very diverse characteristics which, combined with a pleasant year-round climate, an enviable safety and security record, and an excellent range of quality

hotels, places it in a privileged position as a holiday/leisure destination alongside other European capital cities.

It is the only region in Europe that packs so much variety and choice for tourists in such a small geographical area – from its fine white sandy beaches along the Atlantic coast and the River Tagus to its famous squares and buildings, including museums and monuments, reflecting a diverse architecture and culture spanning nine centuries. From its golf courses, cuisine and shopping, to its leisure and entertainment facilities – among which Europe's largest casino – and its conference and congress facilities, the Lisbon region offers a wealth of attractions and opportunities for all types of tourism.

A strategic location...

Although it is situated at the periphery of Europe, the Lisbon region enjoys a strategic location as the meeting point for three different continents: Europe, the Americas and Africa. It is easily accessible by air – it is linked by regular scheduled and low-cost airline services from all the main central and north European capitals – as well as by road (via motorways through Spain). In the future, thanks to the new Portuguese TGV, it will also be accessible by high-speed rail links.

Lisbon's long and fascinating history is strongly allied to the sea and the river and, in particular, to the great maritime explorers. Traces of this history are clearly evident throughout the city and the maritime image is of great importance to its residents, as well as providing a rich, colourful and vivid experience for visitors. One only has to mention the 16th century naval fortress tower, the Torre de Belém, and the florid Manuelian Jeronimo's Monastery, classified as a World Heritage Site by UNESCO. These monuments mark the very spot from which the great Portuguese maritime explorers set out in their caravels in the 16th century to discover new and exotic worlds in India, Africa and the Far East.

...with a rich history and culture...

This was a time when Lisbon was one of the world's great ports, the centre of an empire that extended from Brazil to the west and India to the east, with the discovery of the maritime route to India by Vasco da Gama. Five hundred years later, one can visit the largest oceanarium in

For the purpose of this report the Lisbon region is delimited according to the NUTS II classification for Portugal. It includes two sub-regions – Grande Lisboa and the Península de Setúbal – and 18 municipalities.

Europe at the former Expo 98 site, also on the river – the Parque das Nações (Nations' Park).

Lisbon's history and tradition are ever present in the city's architecture, in its many typical neighbourhoods, or 'bairros', and in the colourful façades of its old buildings. Downtown 'Pombaline' Lisbon – named after the great 18th century statesman and architect, the Marquis de Pombal – was rebuilt in the classical style after the devastating Great Lisbon earthquake, fire and tsunami of 1755. It stands today as a rich testament of that history and tradition.

The medieval 'bairros', with their Moorish influences, fascinating shops, restaurants and cafés, are among the city's other main attractions. Lisbon's exceptional light has charmed and inspired artists – painters, writers, photographers, and film producers – while its buildings decorated in two-toned blue and white glazed tiles ('azulejos'), lend the city a distinctive and creative atmosphere, leaving no-one indifferent to its beauty.

...combined with modern facilities for major events

The city of Lisbon is also blessed with a vast number of quality facilities for all kinds of mega events and shows, not to mention international congresses, conferences and other meetings. The biggest of these is the 15,000-capacity Atlantic Pavilion concert hall.

Urban infrastructure is also well developed. A comprehensive transport network serves visitors well on their voyage of discovery around the city and the region – whether on foot, by electric tram, on a Tagus boat trip or by metro. Visitors to the city and the Lisbon region are mainly interested in discovering the city's cultural and historical heritage – including its cuisine and fine wines – as well as conducting their business, playing a round of golf, taking a trip to the beach, or participating in a special event.

Visitor profile – interest in urban activities...

According to a survey carried out by Turismo de Lisboa (Lisbon Tourism) among visitors, foreign tourists rate their experience of the city as either "excellent" or "very good", and one far exceeding their expectations.

The typical visitor to Lisbon is aged between 35 and 55, although the average age is dropping as demand increases from the 19-35 age group, attracted by Lisbon's excellent nightlife and clubs. He/she comes from a good educational background – with secondary school or higher education – tends to travel with family or friends, and lists visits to attractions and monuments as his/her main activity (87 per cent). This is closely followed in importance by walks around the city (86 per cent), sampling bars and discos (82 per cent), shopping (71 per cent) and visits to museums (69 per cent).

...but also sun & beach, golf and water sports

Nevertheless, the Lisbon region is far more than just the capital city of Portugal. It also encompasses the Costa do Estoril and Cascais, Sintra and the Setúbal Peninsula.

The Estoril Coast, and particularly the well-known Cascais resort region, offers a wide range of opportunities for swimming and water sports – sailing, surfing and wind surfing – as well as golf, horse riding and other sporting activities. Cascais and the neighbouring towns, which are located on the coast close to Lisbon, boast a pleasantly warm and mild climate year round, are lively both during the day and at night, and provide high-quality facilities for business and leisure tourists. These include the Casino and the Estoril Congress Centre. Thanks to the attractiveness and quality of its beaches, it is an ideal destination for those seeking holidays in the sun, and/or intending to purchase a secondary residence/holiday home.

The Sintra district is a destination *par excellence* for cultural, nature-based and residential tourism, due to its rich cultural and historical heritage, and to the fact that it is surrounded by the stunning natural beauty of the Serra de Sintra hills. And the Setúbal Peninsula enriches the area's tourism potential, offering excellent conditions for golf, ecotourism and sun & beach holidays.

TOURISM DEVELOPMENT

A popular resort region for royalty

Tourism in the Greater Lisbon region first took off as early as the 19th century, when Europe's royal courts and aristocracy sought out the Estoril coast and Sintra in search of relaxation, salt water and thalassotherapy (seawater treatment) during its sunny summers and mild winters.

In the 20th century, particularly after 1939, the Lisbon region – and, more specifically, the Costa do Estoril and Cascais – took in thousands of European refugees fleeing the Second World War, as well as welcoming famous personalities from European royalty and charismatic artists. Although they could not strictly be classed as tourists, the manner in which they were received, the climate, hospitality and cuisine, meant that in the post-war world, Estoril was recognized worldwide as an exceptional summer resort region.

In line with trends to Portugal in general, Lisbon's tourism continued to grow, increasing rapidly in the 1960s, thanks almost exclusively to its reputation as a sun & beach destination. The 1970s saw a reversal of the trend, however, due to political instability in the country at the time. Portugal's tourism recovered strongly in the 1980s, resulting in annual growth rates in international tourist arrivals of around 11 per cent, with Lisbon's main attraction being its potential for event tourism.

Europe's Cultural Capital in 1994...

But in the 1990s, the Lisbon region entered a new stage in its tourism development, helped in no small part by Portugal's entry into membership of the European Union, alongside Spain, in 1986. In 1994, it was designated European Capital of Culture, and this enhanced Lisbon's international image as a tourism destination, promoting the country and the rich and diverse cultural heritage of the Lisbon region abroad, especially in EU countries.

Leisure tourism demand was also boosted by the development of appropriate infrastructure for the hosting of world-class events and related accommodation facilities. This all helped to communicate the image of Lisbon, not simply as an administrative capital, but also as a people-oriented, tourism-friendly city.

...as well as host to other major events

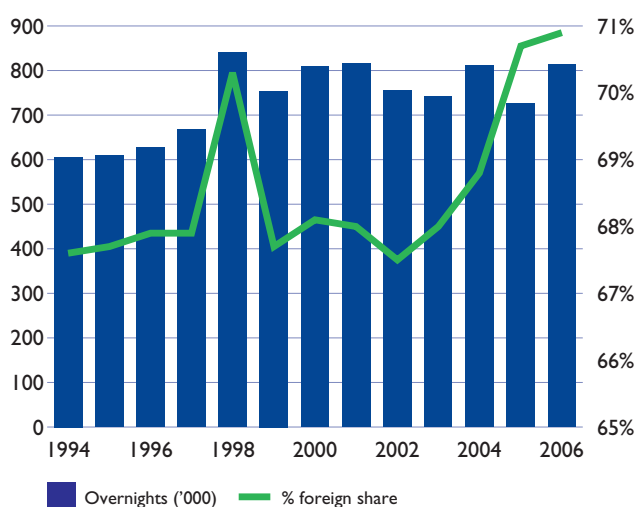
Just four years later, Lisbon was the stage for World Expo 98. Hosting this event proved an important turning point in the region's and Lisbon's tourism development and put it on the map definitively as a tourism destination, on a par with other internationally recognized regional destinations such as Madeira and the Algarve.

A mixed performance year on year

According to the Instituto Nacional de Estatística (INE), tourist overnights in the Lisbon region rose sharply from 1997 to 1998 – by around 21 per cent – while accommodation increased over the same period by 5 per cent in terms of bed capacity, and by 4 per cent in terms of number of rooms. The growth in overnight volume was as much attributed to domestic tourism (up 16.5 per cent) as to tourism from abroad (+30 per cent). In 1998 the latter was responsible for 70 per cent of the total overnight count registered in the Lisbon region. Following 9/11, the Lisbon region experienced a drop in international tourism demand in both 2002 and 2003. During this period foreign tourist nights decreased by 1 per cent and domestic nights fell by 3 per cent.

Although the impact was not immediately apparent in all regions of the country, Portugal's hosting of the European Football Championships in 2004 (Euro 2004) contributed to reversing the downward slide for Lisbon. From 2003 to 2004, tourist overnights rose by 9 per cent overall. Domestic nights increased by nearly 7 per cent, while foreign overnight volume was up 11 per cent.

Tourist overnights in registered commercial accommodation in the Lisbon region, 2002-06



Source: Instituto Nacional de Estatística de Portugal (INE)

Overnight volume fell from +3 per cent per annum in 1998 to -1 per cent over each of the three years 1998-2001 and -2 per cent

from 2002-03. However, up to 2001, tourist overnights referred only to Lisbon and the Tagus Valley, as stated in NUTS II. From 2001, INE adopted a new NUTS II delineation so that more recent data and trends are not strictly comparable with those of earlier years.

A strong recovery in 2006...

In 2005, tourist overnights stagnated, but preliminary results point to a significant recovery in 2006, as reflected in the following table. Lisbon's performance last year was among the best of all cities across Europe. Total tourist overnights rose to 8.1 million, up 12 per cent over 2005, and 0.3 per cent above 2004's level. The strong recovery was due to a 13 per cent increase in foreign overnight volume, as well as an 11 per cent rise in domestic nights.

Today, Lisbon is the second most important tourism region in Portugal in terms of foreign tourist overnights, accounting for a 22 per cent share of total foreign overnight volume in the country in 2006. And foreign tourists generated 71 per cent of total tourist nights registered in the region – the highest ever recorded – as against 67.5 per cent in 2002. The respective overnight counts relate to numbers of tourists and nights spent in registered commercial accommodation, so they do not take account of tourists staying in their own secondary residences/holiday homes, or with family and friends and/or in bed & breakfast accommodation.

...outranking most European cities

Nevertheless, the official statistics highlight the fact that tourism in the Lisbon region has grown at a rapid pace over the last few years – at a much higher rate, in fact, than in other European capitals such as Vienna, Paris, Amsterdam, Madrid and London, albeit slightly behind Barcelona and Prague. This growth has been sustained in both the domestic and international tourism sectors, and has been fuelled by the international events hosted by Lisbon, from Expo 98 to the Tennis Masters in 2001 and Euro 2004, as well as by private capital investment in new tourist accommodation.

KEY SOURCE MARKETS

The most international region in Portugal

Among all the different regions of the country, Lisbon is the one that attracts the most diverse international demand. In 2006, the Spanish market was the largest source of foreign tourist overnights in the region (a 23 per cent share of the total). It was followed by Germany, Italy, the UK and France, which generated shares of 10 per cent, 9 per cent, 8 per cent and 8 per cent, respectively. It should be noted that Italy rose from fifth position, from where it had been since 2002, to third in the ranking in 2006, ahead of the UK and France.

As reflected in the following table, tourist overnights from the main markets recorded significant increases in 2006 – much more impressive than in 2005 – with Italy (up 27 per cent), Spain (+13 per cent), and Brazil and Sweden (+11 per cent) being the best performers.

Tourist overnights in registered commercial accommodation by source market, 2006

Market	Nights ('000)	% change 2006/05
Spain	1,340	13.0
Germany	552	9.0
Italy	490	26.9
UK	479	2.8
France	440	8.7
USA	348	7.9
Netherlands	220	4.5
Brazil	290	10.7
Belgium	159	7.3
Sweden	119	10.5
Others	1,339	18.5
Total international	5,775	12.6
Domestic	2,370	11.4
Grand total	8,145	12.2

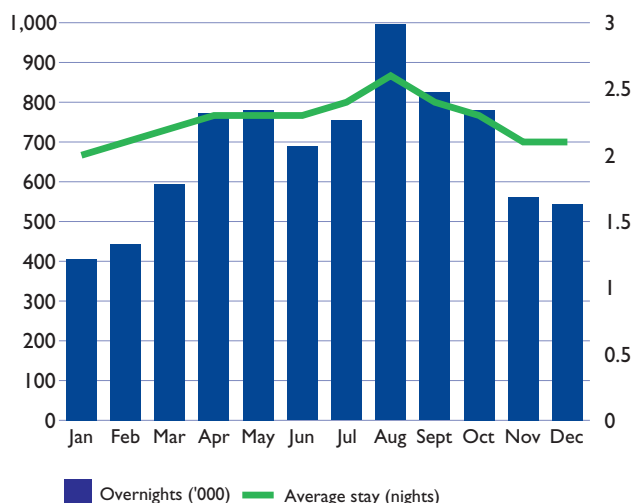
Source: INE

Seasonality is more marked in foreign than in domestic tourist overnights.

A seasonality problem

A breakdown of tourist overnights in registered commercial accommodation by month highlights a strong peak in August with secondary peaks in September, October, April and May. The peak winter months (January and February) show a marked trough. It should be noted, however, that this seasonality is more marked in foreign than in domestic tourist overnights. Average length of stay fluctuates between a maximum of 2.6 nights in August to a minimum of 2.0 nights in January.

Tourist overnights in registered commercial accommodation by month, 2006



Source: INE

ACCOMMODATION

In 2005, there were 303 registered accommodation establishments in the Lisbon region, with a total capacity of 22,903 rooms and 48,095 beds. These generated 7.3 million tourist overnights. Updated statistics are not yet available for 2006.

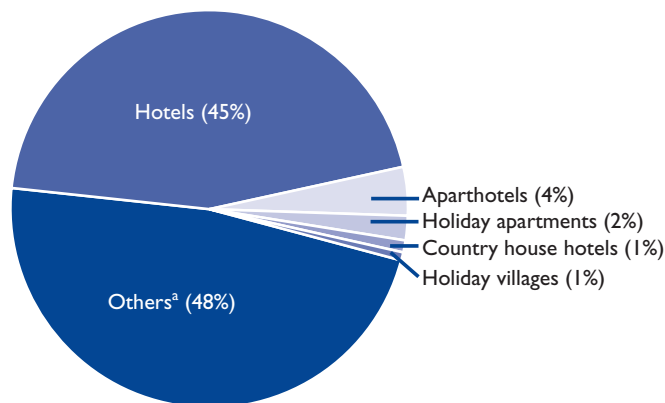
Registered accommodation capacity in the Lisbon region, 2005

Type of accommodation	Units	Beds	Average occupancy (%)
Hotels	136	35,896	48.2
Aparthotels	12	2,955	43.4
Country house hotels	3	152	59.2
Holiday villages	2	446	30.5
Holiday apartments	6	669	38.6
Others ^a	144	7,977	na
Total	303	48,095	47.5

^a Includes residential guesthouses, motels and inns.

Sources: INE; Turismo de Portugal

Breakdown of registered accommodation capacity in the Lisbon region, 2005



^a Includes residential guesthouses, motels and inns

Sources: INE; Turismo de Portugal

Hotels account for most of the tourist rooms/beds

The accommodation stock in the Lisbon region is mainly made up of hotels (representing 45 per cent of establishments and 75 per cent of available bed capacity) and residential guesthouses, motels and inns (48 per cent in terms of number of establishments and 17 per cent in terms of beds).

According to the results of a study carried out by Turismo de Lisboa on the development of tourist room capacity in Lisbon city between 1990 and 2005, the number of hotel rooms grew 113 per cent during this period, increasing from 6,178 to 13,172 rooms. (There may be a discrepancy between these numbers and official data from INE, since

the study carried out by Turismo de Lisboa covered all establishments in operation, regardless of whether they were registered or not.)

The same study showed that, in 2005, five-star hotels accounted for 23 per cent of available rooms, four-star hotels made up 48 per cent, three-star hotels represented a 23 per cent share, and the remaining 6 per cent was accounted for by two-star properties. This breakdown also highlighted the big change in categories of hotel accommodation between 1990 and 2005. In 1990, with the exception of two-star hotels, all star categories had a share of 30 per cent of room capacity while, in 2005, there was a preponderance of four-star hotels.

More hotel development forecast

It should be noted that the increase in higher-grade accommodation occurred gradually between 1990 and 2005, with a concentration of new, upmarket hotels opening around the time of the two important events, Expo 98 and Euro 2004. Tourist accommodation is expected to continue to expand over the next few years, with the opening of new hotels in Lisbon and the surrounding region.

Tourist accommodation will continue to expand over the next few years with the opening of new hotels in Lisbon and the surrounding region.

TRANSPORT AND ACCESSIBILITY

The main gateway to Portugal

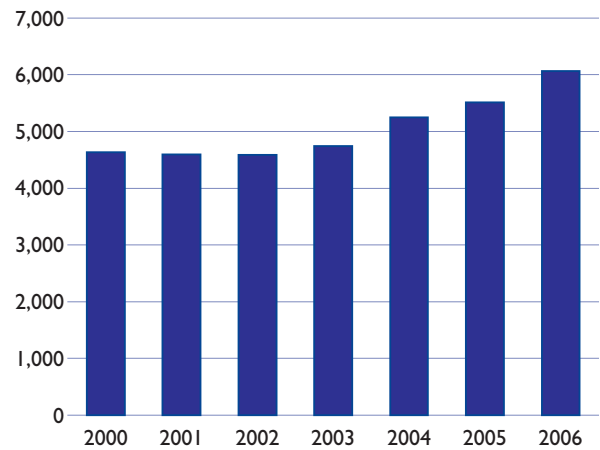
Lisbon International Airport is the principal entry point into the country for foreign tourists. In 2006, it recorded a passenger throughput of 12.3 million – a growth of just under 10 per cent over 2005 – making Lisbon Europe’s 26th biggest airport. Within this overall passenger count, there were 6.1 million disembarking passengers, 10 per cent more than in the previous year.

Around 14 per cent of Lisbon Airport’s total aircraft movements involve traffic to and from Spain, 10 per cent to/from France, 8 per cent to/from Germany, 8 per cent to/from the UK, and 7 per cent to/from Italy.

Over the last seven years, the number of passengers disembarking at Lisbon Airport grew at an average rate of almost 5 per cent a year. During the period 2003–06, the annual growth rate rose to 8.5 per cent. It should be pointed out that the number of passengers disembarking at Lisbon Airport during this period grew at a much higher annual rate than the growth in tourist overnights in registered accommodation. This would tend to suggest that Lisbon Airport is much more than just a gateway to the Lisbon region. Today it serves as the main point of entry into the country and is an air transport hub linking Europe, Africa and Latin America.

Of the total aircraft movements through Lisbon International Airport, 88 per cent are scheduled flights of national flag carriers (as at September 2006), while the remaining 12 per cent is made up of low-cost airline (LCC) traffic. However, the LCCs generate a share of only about 5 per cent in terms of passengers carried.

Passengers disembarking at Lisbon International Airport, 2000-06 ('000)



Average annual growth 2000-06: 4.6%

Source: Aeroportos de Portugal (ANA)

Good low-cost airline connections

LCCs link Lisbon to most of the major central and northern European cities, such as London, Amsterdam, Berlin, Brussels, Cologne, Copenhagen, Dublin, Oslo and Stuttgart, as well as Warsaw in Poland, and Barcelona, Madrid, and Palma de Mallorca in Spain.

The Portuguese Government is expecting the new Lisbon International Airport, which is likely to be located at Ota, 50 kilometres north of Lisbon, to be operational by 2017, with a capacity for over 30 million passengers a year.

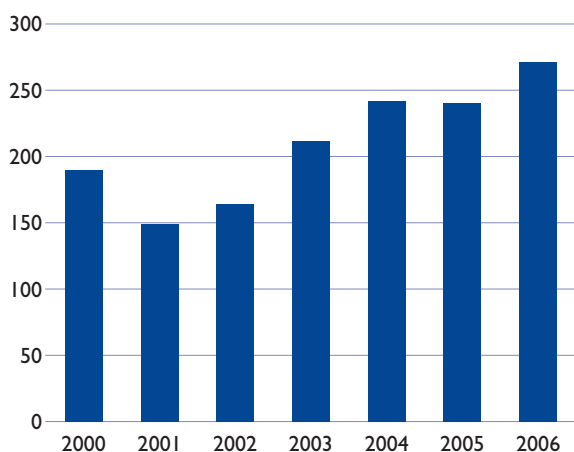
By 2010/11, the high-speed TGV rail link between Madrid and Lisbon should also be running, making access to Lisbon for European tourists, and in particular Spaniards, much easier.

Good growth in cruise ship passengers

The Port of Lisbon is another point of entry used by international tourists visiting the Lisbon region, and is one of the leading, and largest, cruise ship ports in Europe. The number of cruise ships through the Port of Lisbon grew by 7 per cent in 2006, generating a 13 per cent rise in cruise passengers, to 270,893. Of these, 20,755 disembarked in Lisbon, 20,213 embarked, and 229,925 were in transit. The average annual growth in passenger numbers from 2000 to 2006 was 6 per cent.

Today, Lisbon Airport is much more than just a gateway to the Lisbon region.

Passengers through the Port of Lisbon, 2000-06



Average annual growth 2000-06: 6.1%

Source: Port of Lisbon Authority Administration

The steady growth in passenger numbers over the six years since the beginning of the decade has been one of the major arguments justifying the decision by the public authorities to build a new cruise ship terminal in the Santa Apolonia area of the city. The project, which is due to be completed by 2008, will be able to accommodate five cruise ships at the same time, which will help ensure improved handling of cruise ship passengers to the city.

TOURIST PRODUCTS

According to a survey carried out by the Observatório de Turismo de Lisboa (the Lisbon Tourism Observatory), the majority of tourists who currently visit the Lisbon region are on short city breaks (51 per cent in 2005), or travelling for business-related reasons (37 per cent).

These trends have been taken into account in the elaboration of the National Strategic Plan for Tourism, which stipulates that tourism growth in the Lisbon region – at least in the short term – should be stimulated by the development of cultural tourism products, including city-break programmes, touring packages and business tourism options, including products and services for the meetings, incentives, conferences and exhibitions (MICE) market. However, the Plan also recognizes the fact that the Lisbon region offers great diversity in terms of attractions – catering to tourists interested in golf, sun & beach, water sports, ecotourism, health and well-being, cuisine and wine.

Short/city breaks

The city-break market is Lisbon's main tourism product, in terms of the number of tourists it attracts to the city and surrounding region. The growth in airline routes and frequencies from the main central and north European cities, together with increasingly attractive airfares – due in large part to the expansion of low-cost airline services – have stimulated tourism demand, as well as resulting in changes in the patterns of demand and tourist behaviour. Increased travel frequency is one example, as is the rise in importance of city breaks. These changes in turn have contributed to putting Lisbon firmly on the map.

The ease with which information can be researched and accommodation and flights can be booked over the internet nowadays, combined with the trend to take more, but shorter holidays, spreading them out through the year, have dynamized the city-break market. City/short breaks attract tourists of all ages – from young singles to families and senior citizens – and is a particularly competitive segment in Europe today, given the huge choice of cities, close to each other, with high population densities.

The Lisbon region benefits from being, on average, less than three hours flight time away from all the main European tourist markets.

Business tourism

Business tourism includes both regular corporate travel and the MICE segment. Lisbon's business tourism appeal has benefited over recent years from its hosting of different international events, such as Expo 98 and Euro 2004, which have enhanced the city's image in the international marketplace. But equally important have been the investments made in developing infrastructure for the meetings industry.

According to the International Congress and Convention Association (ICCA), Lisbon was the eighth most popular destination for congresses in the world in 2004, as well sixth in Europe. The ICCA ranking is based on the number of meetings hosted, but only meetings organized on a regular basis, with 50 or more participants, and which have taken place in at least three different cities, are taken into account. Lisbon hosted 67 big meetings in 2004, compared with Barcelona's 105 (which gave it top place in the overall ranking), Vienna (101), Singapore (99), Berlin (90), Hong Kong (86), Copenhagen (76) and Paris (75).

The proximity of the main European business centres, Lisbon's well-developed infrastructure and perceived value for money – not to mention its huge potential for pre- and post-congress tours – make the Lisbon region a competitive business tourism destination.

Cruise tourism

Although cruise business is already an important tourism segment for the Lisbon region, it could be an even more dynamic segment of the market. As an example, the region could benefit from increased 'cruise and stay' business – cruises followed by several nights stay in a destination.

At the same time, the growth in transit passengers through the Port of Lisbon is also important and should not be undermined. It is critical that cruise passengers' experience of Lisbon is a good one as these tourists could return in the future to get to know the city and surrounding region better, accompanied by other family members or friends. This makes the construction of a new cruise ship terminal an even more critical investment

Golf tourism

The golf market is of increasing importance to destinations all over the world, recording an annual growth rate of 7 per cent in demand last year. According to some international studies, the typical golf tourist is

40-plus years old, with a high level of education, and with an upper middle-class to upper class socio-economic profile. Golf tourists spend on average €260 a day and expect quality accommodation – four- or five-star hotels/resorts with integrated golf courses.

The Lisbon region boasts a significant share of the country's golf facilities. Of the 70 golf courses across the country, 22 are located in the Lisbon region and, of these, eight are on the Costa do Estoril. This is a much appreciated destination by golf enthusiasts, because it combines golf facilities with unique leisure attractions – for sun & beach enthusiasts, or those looking for nature, shopping, etc – and with modern facilities and infrastructure, such as a marina, casino and congress centre.

It should be noted that the Lisbon region is one of the few European capital regions that offers a true golf tourism destination, in that it possesses countless 'pay and play' golf courses, which are not totally reserved for the use of club members. Golf also offers an excellent opportunity for the Lisbon region to reduce seasonality, since the preferred golf holiday periods are during the spring and autumn shoulder months.

The Lisbon coast was recently voted the best golf destination in Europe by the International Association of Golf Tour Operators (IAGTO). It was also voted by the readers of one of the main English golf magazines as the Best European Golf Short-Break Destination. Tourists who visited the Lisbon region in 2005, and whose primary purpose of visit was golf, considered the choice of golf courses, the technical quality of the courses, and the scenic beauty of the surrounding environment, as the main deciding factors when making their decision.

The role of Turismo de Lisboa

Ensuring sustained tourism development in the Lisbon region is one of Turismo de Lisboa's main responsibilities, on a par with the promotion of the Lisbon region as a tourism and MICE destination and providing information and support to tourists visiting the region.

Turismo de Lisboa operates in partnership and/or cooperation with the Portuguese Tourism Board (Turismo de Portugal) and the Ministry of Economy and Innovation, as well as with other public entities such as the Lisbon, Sintra, Cascais and Setúbal city/town councils, and the airport and port authorities.

A non-profit, non-governmental organization (NGO), Turismo de Lisboa has eight founding members and 577 associate members from the tourism or related sectors. Through their involvement in Turismo de Lisboa, members "contribute towards improving the overall tourism product of the region, as well as stimulating tourism growth and carrying out tourism promotions".

Turismo de Lisboa's annual budget stands at €17.4 million for 2007, of which around 41 per cent is funded by Turismo de Portugal and 28 per cent comes from the Lisbon City Council. Of the total, €11.0 million is allocated to tourism marketing and promotion, €2.3 million is for product development, €0.3 million goes towards running the association and developing membership, and €0.1 million is for strategic planning.

The marketing and promotion budget is split as follows: €6.1 million for activities carried out in cooperation with Turismo de Portugal, €3.2 million for events promotion, and €1.7 million for Turismo de Lisboa's supplementary tourism marketing and promotion plan. Following recent research, the association has developed a Strategic Marketing Plan for the period 2007-10.



TRAVEL & TOURISM SATELLITE ACCOUNT

TOURISM SATELLITE ACCOUNTING

THIS REPORT FOLLOWS THE CONCEPT OF SATELLITE ACCOUNTING DEFINED IN THE *TOURISM SATELLITE ACCOUNT: RECOMMENDED METHODOLOGICAL FRAMEWORK* (TSA:RMF), AND DEVELOPED UNDER THE AUSPICES OF THE WORLD TOURISM ORGANIZATION.

Over the last three decades, countries have estimated the economic impact of Travel & Tourism through a range of measures using a variety of definitions and methodologies. Such approaches have prevented meaningful comparisons among nations. Even for the same nation over different periods of time, they have frustrated business and government attempts to draw valid conclusions about the nature and course of Travel & Tourism demand in national economies. This regime has obscured the substantial, positive role the industry plays in national economies and has thwarted business and government attempts to optimize economic programmes and policies.

The World Travel & Tourism Council (WTTC) recognized the dearth of crucial Travel & Tourism intelligence from the time of its establishment in 1990 and it published the first detailed estimates of world tourism's economic impact that same year.

Since then WTTC has worked to improve its methodologies and to encourage individual countries to enhance their measurement and understanding of tourism's impact on their national economies. Furthermore, in the spirit of joining forces to enhance world comprehension of the role of Travel & Tourism in national economies, WTTC has strongly supported the programmes of the World Tourism Organization (UNWTO) to improve tourism statistics worldwide.

WTTC'S RESEARCH

WTTC and its economic/research partners – Oxford Economics, since 1999, and Global Insight (previously known as DRI•WEFA), from 1990-1999 – have developed and published research on the economic contribution of Travel & Tourism to the world, regional and national economies.

Starting in 1990, WTTC's research team has been working to develop practical, real-world models to illustrate Travel & Tourism's economic contribution based on the needs of private sector leaders, public sector policy-makers and industry researchers, and on the interpretation of the system of national accounts. The research is now firmly anchored in the international standard for tourism satellite accounting that was developed by UNWTO, OECD and Eurostat, and approved by the United Nations Statistical Commission in 2000. It was launched at the TSA Conference held in Vancouver in May 2001 and published as the *Tourism Satellite Account: Recommended Methodological Framework* (TSA:RMF) in 2001.

Since 1999, WTTC's research has assumed the conceptual framework of the UN-approved standard with a number of discretionary extensions, and it combines the most sophisticated economic modelling and forecasts available with the most up-to-date, publicly available data to generate a comprehensive implementation of Travel & Tourism satellite accounting.

This special simulated TSA for Lisbon is the product of work commissioned by Turismo de Lisboa. In carrying out the work, Oxford Economics has drawn extensively on the methodology drawn up over the years by WTTC to develop TSAs as operational tools, and has worked closely with Turismo de Lisboa and the Instituto Nacional de Estatística de Portugal (INE) to review the assumptions, models and results produced by this exercise.

WTTC'S APPROACH TO TOURISM SATELLITE ACCOUNTING

WTTC has endeavoured to implement and produce the most comprehensive TSA provided for within the TSA:RMF – by developing the narrow concept of the ‘Travel & Tourism Industry’ in addition to the broader concept of the ‘Travel & Tourism Economy’. WTTC advocates full implementation of the TSA as defined in the TSA:RMF in order to achieve the highest level of benefits for industry and governments. These include:

- A wealth of customer and consumer information on tourism-related purchases (before, during and after trips – whether domestic or international, imported or exported – as well as services, durables and non-durables) that has never been identified until now;
- Comprehensive documentation and analysis of the full tourism-product service chain and government’s ability to deliver quality and timely service to visitors;
- Linkages between Travel & Tourism and other sectors of the economy such as agriculture and manufacturing to illustrate the flow-through of spending;
- Complete outlook for public works that benefit visitors and Travel & Tourism companies in order to leverage public sector plans and priorities for growth;
- Focused opportunities for domestic production, as

well as incentives from the public sector, to aid in the growth of businesses that help alleviate trade balance issues;

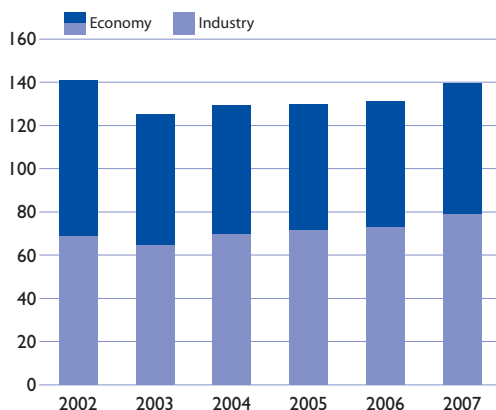
- Demand- and supply-side information on employment that allows for human resource planning and development.

WTTC has worked towards developing a comprehensive TSA – not because it is eager to exaggerate the size of Travel & Tourism’s impact, but because the information that can be garnered from the exercise by governments and industry is crucial for making intelligent and informed policy and business decisions. WTTC believes that history will document its pioneering implementation of the simulated TSA as one of the most important turning points for Travel & Tourism’s long overdue economic recognition.

In the WTTC research, no country receives special treatment or favours. WTTC uses internationally available data sources and the same scope of tourism satellite accounting for all countries, as well as the same basic assumptions through the same system of models. WTTC’s TSA research utilizes a universal and internally consistent modelling framework and generates harmonized results and forecasts for 176 countries around the world. Details of the methodology used by WTTC/Oxford Economics in its TSA research are available on WTTC’s website (www.wttc.travel).

LISBON

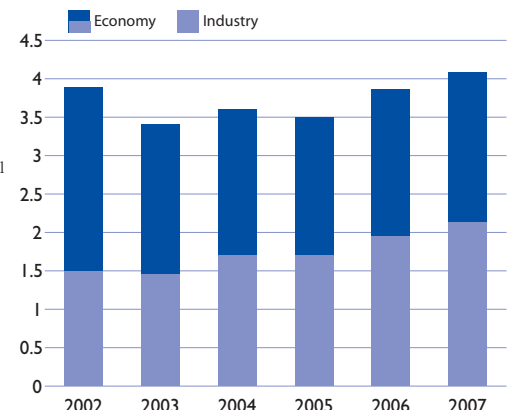
**Travel & Tourism Employment
(‘000 Jobs)**



T&T ECONOMY
Direct and indirect impact of visitor activities, capital investment, exports and government services

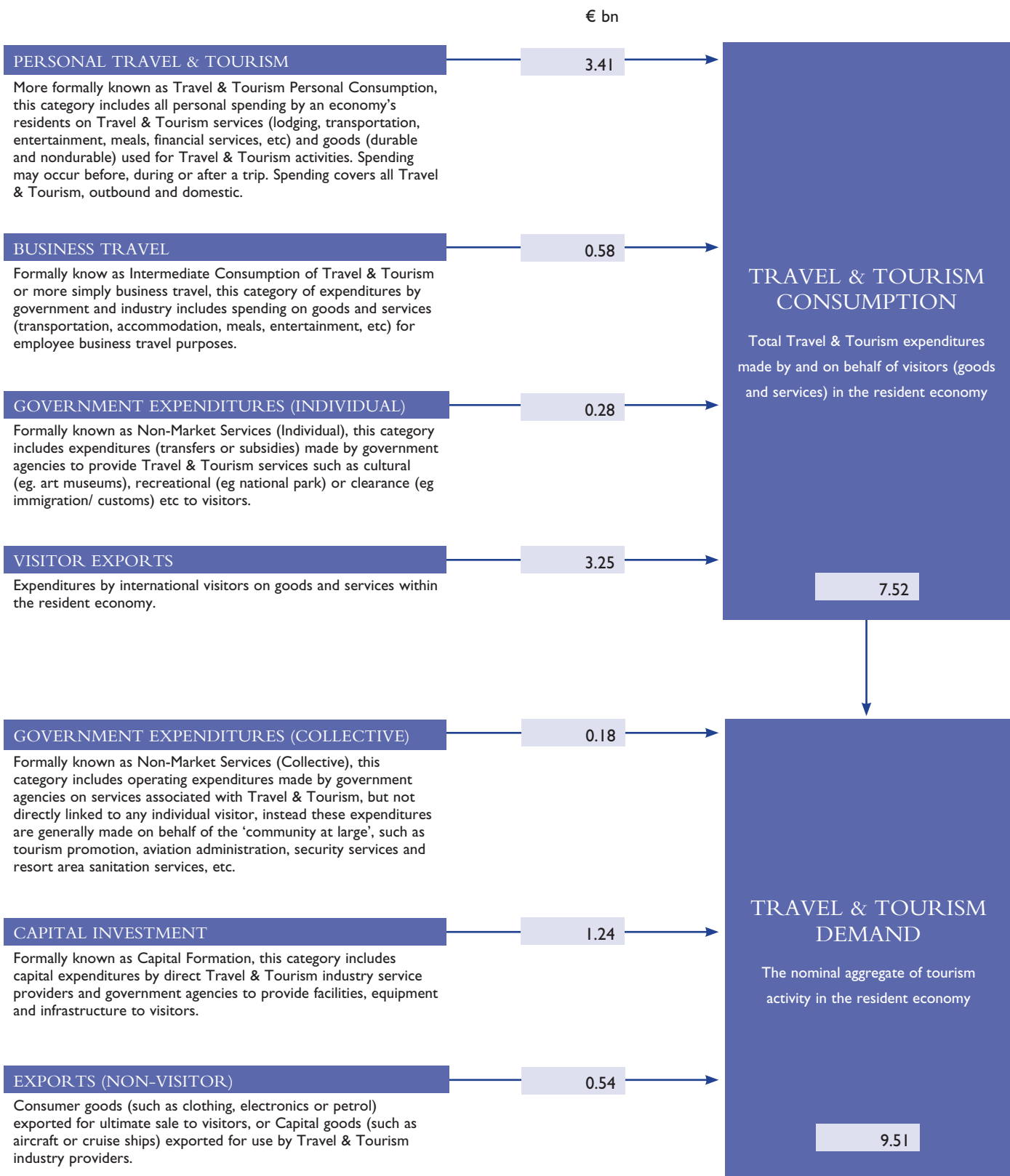
T&T INDUSTRY
Direct impact of visitor activity (transportation, accommodation, food and beverage, recreation, entertainment and travel services)

**Travel & Tourism Gross Domestic Product
(2000 Constant US\$ bn)**



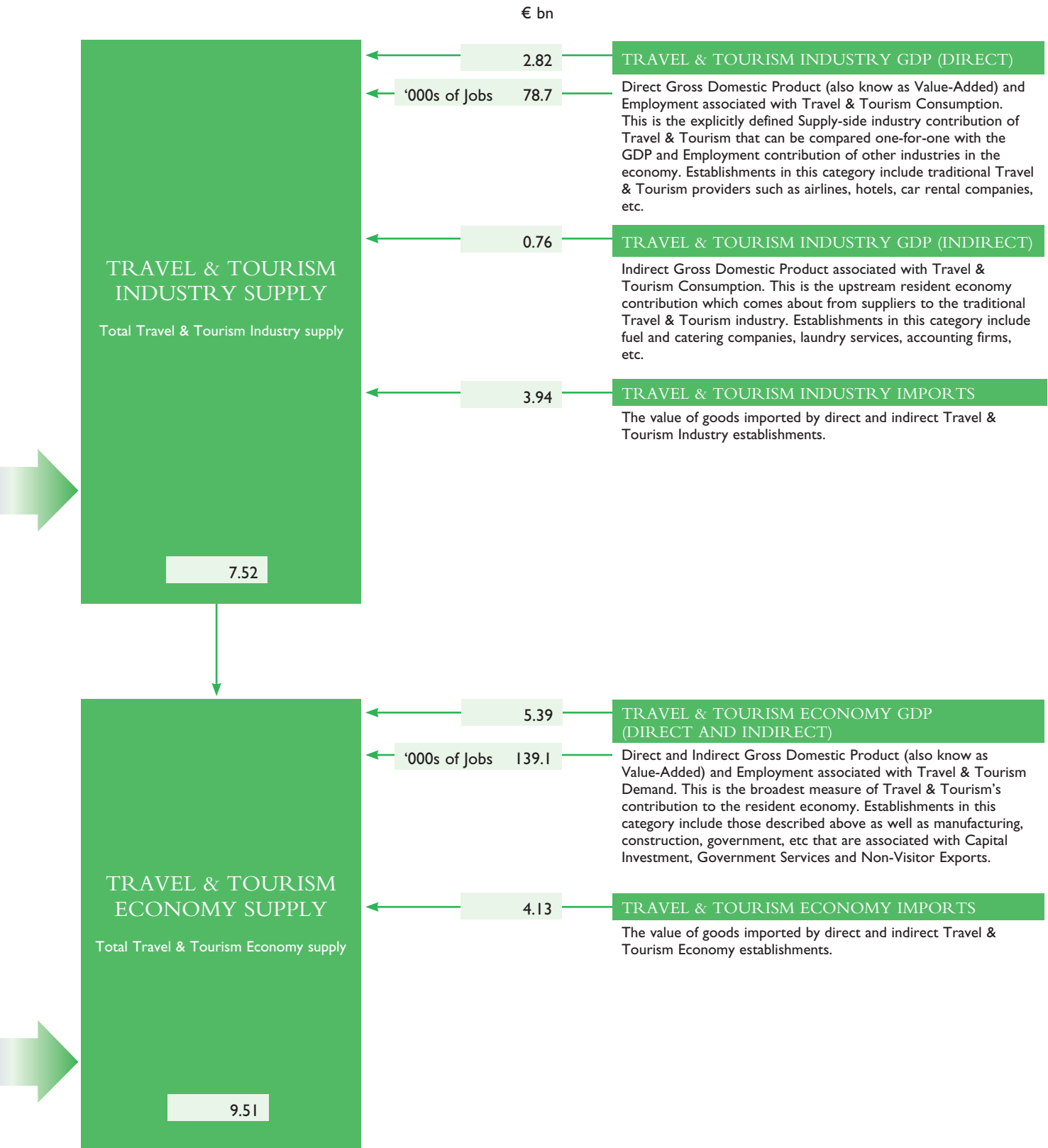
TSA CONCEPTS & STRUCTURE

Demand Side Accounts



The Travel & Tourism Satellite Account is based on a 'demand-side' concept of economic activity, because the industry does not produce or supply a homogeneous product or service like traditional industries (agriculture, electronics, steel, etc). Instead, Travel & Tourism is an industrial activity defined by the diverse collection of products (durables and non-durables) and services (transportation, accommodation, food and beverage, entertainment, government services, etc) that are delivered to visitors. There are two basic aggregates of demand (Travel & Tourism Consumption and Total Demand) and by employing input/output modelling separately (blue/green arrows) to these two aggregates the Satellite Account is able to produce two different and complementary aggregates of Travel & Tourism Supply: the Travel & Tourism Industry and the Travel & Tourism Economy. The former captures the explicitly defined production-side 'industry' contribution (ie direct impact only), for comparison with all other industries, while the latter captures the broader 'economy-wide' impact, direct and indirect, of Travel & Tourism.

Supply Side Accounts



TRAVEL & TOURISM'S ECONOMIC IMPACT

TRAVEL & TOURISM – ENCOMPASSING TRANSPORT, ACCOMMODATION, CATERING, RECREATION AND SERVICES FOR VISITORS – IS ONE OF THE WORLD'S HIGHEST PRIORITY INDUSTRIES AND EMPLOYERS.

DEMAND

Travel & Tourism Demand in the European Union (EU) is expected to generate €1,867.5 bn (US\$2,486.9 bn) of economic activity (Total Demand) in 2007, growing to €3,204.8 bn (US\$3,898.3 bn) by 2017.

In Portugal, in 2007, Travel & Tourism is expected to post €31.9 bn (US\$42.4 bn) of economic activity (Total Demand), growing to €53.0 bn (US\$64.5 bn) by 2017.

In Lisbon Travel & Tourism is expected to reach €9.5 bn (US\$12.7 bn) of economic activity (Total Demand) in 2007, growing to €17.4 bn (US\$21.1 bn) by 2017.

GDP

In the EU, the Travel & Tourism Industry is expected to post a GDP contribution of 3.9% in 2007, while the Travel & Tourism Economy contribution will be 10.9%.

Portugal's Travel & Tourism Industry is expected to post 6.5% to GDP in 2007 (€10.4 bn or US\$13.8 bn), rising in nominal terms to €17.6 bn or US\$21.4 bn (7.2% of total GDP) by 2017. The Travel & Tourism Economy contribution (% of the total) should rise from 15.4% (€24.6 bn or US\$32.7 bn) to 16.9% (€41.4 bn or US\$50.3 bn) in this same period.

In Lisbon, the Travel & Tourism Industry is expected to contribute 4.8% to GDP in 2007 (€2.8 bn or US\$3.8 bn), rising in nominal terms to €5.7 bn or US\$6.9 bn (6.2% of total GDP) by 2017. The Travel & Tourism Economy contribution (% of the total) should rise from 9.1% (€5.4 bn or US\$7.2 bn) to 11.3% (€10.3 bn or US\$12.5 bn) in this same period.

GROWTH

Travel & Tourism is a high-growth activity, which is forecast to increase its total economic activity by 3.3% per annum EU-wide in real terms over the next ten years.

In Portugal, Travel & Tourism is expected to post average annualized gains of 3.1% between 2007 and 2017.

For Lisbon, Travel & Tourism activity is expected to grow by 4.1% per annum in real terms between 2007 and 2017.

EMPLOYMENT

Travel & Tourism is human resource intensive, creating quality jobs across the full employment spectrum. In 2007, 1 in 8.5 jobs will be generated by the Travel & Tourism Economy. The Travel & Tourism Economy accounts for 11.8% of EU employment. Today there are 9.3 mn Travel & Tourism Industry jobs and 25.7 mn jobs in the Travel &

Tourism Economy, and these will rise to 10.3 mn Travel & Tourism Industry jobs and 29.4 mn Travel & Tourism Economy jobs by 2017.

Portugal's Travel & Tourism Industry is expected to generate 402,575 jobs in 2007 (7.7% of total employment), while the broader Travel & Tourism Economy will account for 958,522 jobs (18.4% of total employment).

Lisbon's Travel & Tourism Economy employment is estimated at 139,069 jobs in 2007, 9.8% of total employment, or 1 in every 10.2 jobs. By 2017, this should total 189,930 jobs, 13.3% of total employment or 1 in every 7.5 jobs. The 78,686 Travel & Tourism Industry jobs account for 5.5% of total employment in 2007 and are forecast at 109,597 jobs or 7.7% of the total by 2017.

VISITOR EXPORTS

Travel & Tourism is a major exporter, with inbound visitors injecting foreign exchange directly into the economy.

Travel & Tourism exports in Portugal are expected to represent 21.3% of total exports in 2007.

In Lisbon, exports make up a very important share of Travel & Tourism's contribution to GDP. Of Lisbon's total exports, Travel & Tourism is expected to generate 23.7% (€3.8 bn or US\$5.1bn) in 2007, increasing to €8.3 bn, or US\$10.1 bn (29.7% of total exports), in 2017.

CAPITAL INVESTMENT

Travel & Tourism is a catalyst for construction and manufacturing. In 2007, the public and private sectors combined are expected to spend €224.7 bn, (US\$ 299.2 bn), on new Travel & Tourism capital investment EU-wide - 8.9% of total investment - rising to €391.0 bn (US\$ 475.6 bn), or 9.3% of total, in 2017.

In Portugal, Travel & Tourism Capital Investment is expected to total €3.7 bn (US\$ 4.9 bn), or 10.8% of total capital investment.

Travel & Tourism Capital Investment in Lisbon is estimated at €1.2 bn, (US\$1.6 bn) or 11.3% of total investment in 2007. By 2017, this should reach €2.2 bn (US\$ 2.6 bn), or 11.3% of total capital investment.

GOVERNMENT

Travel & Tourism is both a generator and receiver of government funds. Government Travel & Tourism operating expenditures in Lisbon in 2007 are expected to total €462 mn (US\$615 mn), or 4.6% of total government spending. In 2017, this spending is forecast to total €592 mn (US\$720 mn), or 3.8% of total government spending.

LISBON ESTIMATES AND FORECASTS

	2007			2017		
	€ bn	% of Tot	Growth ¹	€ bn	% of Tot	Growth ²
Personal Travel & Tourism	3.4	8.4	3.4	5.4	8.9	2.7
Business Travel	0.6	---	3.4	0.9	---	2.3
Government Expenditures	0.5	4.6	7.5	0.6	3.8	0.4
Capital Investment	1.2	11.3	-2.9	2.2	11.3	3.6
Visitor Exports	3.2	20.1	16.6	7.3	26.2	6.3
Other Exports	0.6	3.5	21.5	1.0	3.5	3.3
Travel & Tourism Demand	9.5	---	7.6	17.4	---	4.1
T&T Industry GDP	2.8	4.8	14.1	5.7	6.2	5.1
T&T Economy GDP	5.4	9.1	10.3	10.3	11.3	4.6
T&T Industry Employment	78.7	5.5	2.5	109.6	7.7	3.4
T&T Economy Employment	139.1	9.8	1.5	189.9	13.3	3.2

¹2007 Real Growth Adjusted for Inflation (%); ²2007-2017 Annualized Real Growth Adjusted for Inflation (%); '000 of Jobs

PORTUGAL ESTIMATES AND FORECASTS

	2007			2017		
	€ bn	% of Total	Growth ¹	€ bn	% of Total	Growth ²
Personal Travel & Tourism	12.1	11.5	2.2	19.2	12.0	2.6
Business Travel	2.3	---	1.4	3.5	---	2.2
Government Expenditures	1.9	6.0	-2.2	2.5	5.4	0.5
Capital Investment	3.7	10.8	-3.6	5.8	10.9	2.6
Visitor Exports	8.7	15.7	9.1	16.6	14.4	4.5
Other Exports	3.2	5.7	6.1	5.5	4.8	3.6
Travel & Tourism Demand	31.9	---	3.3	53.0	---	3.1
T&T Industry GDP	10.4	6.5	5.8	17.6	7.2	3.3
T&T Economy GDP	24.6	15.4	5.0	41.4	16.9	3.2
T&T Industry Employment	402.6	7.7	4.6	445.1	8.5	1.0
T&T Economy Employment	958.5	18.4	3.5	1,060.2	20.3	1.0

¹2007 Real Growth Adjusted for Inflation (%); ²2007-2017 Annualized Real Growth Adjusted for Inflation (%); '000 of Jobs

EUROPEAN UNION ESTIMATES AND FORECASTS

	2007			2017		
	€ bn	% of Total	Growth ¹	€ bn	% of Total	Growth ²
Personal Travel & Tourism	1,374	11.1	3.8	1,829	11.5	2.5
Business Travel	336	---	5.2	436	---	2.3
Government Expenditures	140	3.2	0.7	165	3.0	1.2
Capital Investment	398	8.9	6.4	579	9.3	3.2
Visitor Exports	551	7.5	6.0	802	6.1	3.4
Other Exports	512	7.0	10.0	932	7.1	5.9
Travel & Tourism Demand	3,312	---	5.4	4,742	---	3.3
T&T Industry GDP	832	3.9	4.3	1,089	3.9	2.3
T&T Economy GDP	2,354	10.9	5.6	3,240	11.6	2.8
T&T Industry Employment	12,415	4.3	3.3	12,465	4.5	0.9
T&T Economy Employment	34,240	11.8	4.1	35,715	12.9	1.3

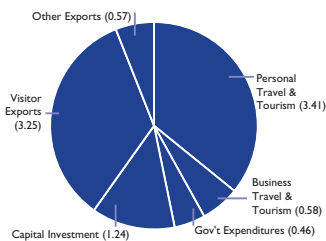
¹2007 Real Growth Adjusted for Inflation (%); ²2007-2017 Annualized Real Growth Adjusted for Inflation (%); '000 of Jobs

TOTAL DEMAND

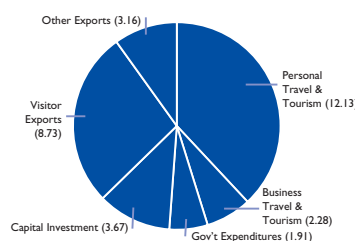
TRAVEL & TOURISM IN LISBON IS EXPECTED TO GENERATE €9.5 BN (US\$12.7 BN) OF TOTAL DEMAND IN 2007, INCLUDING:

- €3.4 bn (US\$4.5 bn) of Personal Travel & Tourism consumption by residents of Lisbon (8.4% of total personal consumption);
- €580 mn (US\$770 mn) of Business and Government Travel by resident companies and government employees;
- €460 mn (US\$610 mn) of Government Expenditures, or 4.6% of total government spending in Lisbon, to provide individual and collective services to the country's Travel & Tourism Industry and its visitors;
- €1.2 bn (US\$1.6 bn) of Capital Investment, or 11.3% of total capital investment in Lisbon, in personal, commercial and public Travel & Tourism facilities, equipment and infrastructure by residents, Travel & Tourism companies and government agencies;
- €3.3 bn (US\$4.3 bn) of Visitor Exports generated from international visitor markets, or 24.0% of Lisbon's total exports; and
- €570 mn (US\$760 mn) of Merchandise Trade Exports, or 3.4% of total exports.

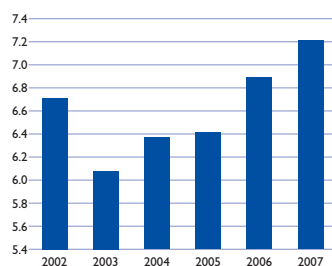
LISBON
Travel & Tourism Total Demand
(2007 Est. € bn)



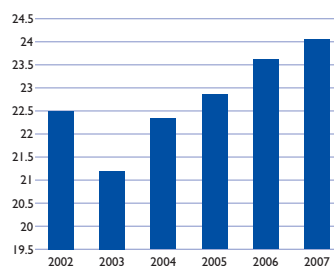
PORTUGAL
Travel & Tourism Total Demand
(2007 Est. US\$ bn)



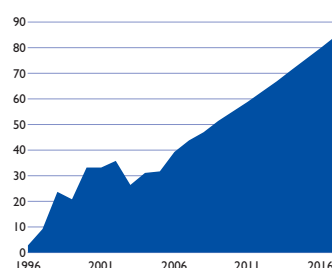
LISBON
Travel & Tourism Total Demand
(2000 Constant US\$ bn)



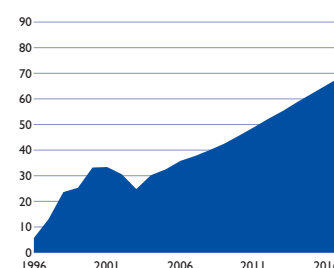
PORTUGAL
Travel & Tourism Total Demand
(2000 Constant US\$ bn)



LISBON
Travel & Tourism Total Demand
(Cumulative Real Growth, %)



PORTUGAL
Travel & Tourism Total Demand
(Cumulative Real Growth, %)



This breakdown of demand shows that Visitor Exports account for about 34% of the region's Travel & Tourism Economy. After some stagnation in the early 2000s, travel spending by foreigners – adjusted for inflation – has recovered during the last three years (2004–2006), with growth particularly strong in 2006 (up 7.6%). Given how important Travel & Tourism is already, the sector must be given the highest priority by government so as to consolidate the current positive trend and ensure sustainable growth in the future.

Over the past 12 years (1995–2006), Lisbon's Travel & Tourism Demand has seen significant overall gains, but with some instability (eg contractions in 1999 and 2003). The cumulative growth in Travel & Tourism activity has been just under 40% since 1995, compared with 36% cumulative growth over the same period for Portugal. Lisbon now looks poised for a period of healthy growth in terms of Travel & Tourism Demand. In 2007, Lisbon's Travel & Tourism Demand is expected to grow by 4.5% overall. In the longer term – ie to 2017 – Travel & Tourism Demand in the region is forecast to average 4.1% per annum. This compares with a more steady cumulative real growth of 3.1% over the same period for Portugal and it would comfortably exceed expected growth of 3.3% per annum for the EU-27 overall.

EMPLOYMENT

THE TRAVEL & TOURISM INDUSTRY IN LISBON IS EXPECTED TO GENERATE DIRECTLY 79,000 JOBS IN 2007.

A total of 139,000 jobs (direct and indirect) are expected to be generated across the broader spectrum of the Travel & Tourism Economy, encompassing:

- travel company employment,
- government agency employment, and
- supplier company employment.

The first category represents Travel & Tourism Industry jobs, while all three categories together represent Travel & Tourism Economy jobs.

Travel & Tourism Industry jobs in Lisbon, which are expected to total 79,000 in 2007, represent 5.5% of the country's workforce. By 2017, Travel & Tourism Industry employment is forecast to increase by 31,000 jobs to 7.7% of total employment in Lisbon.

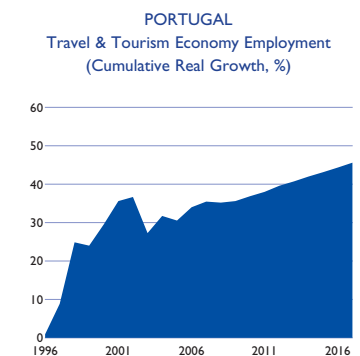
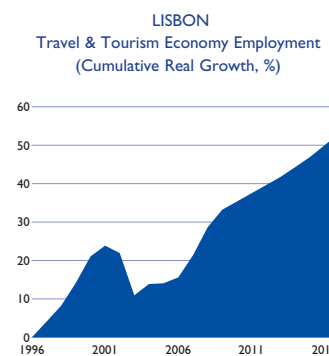
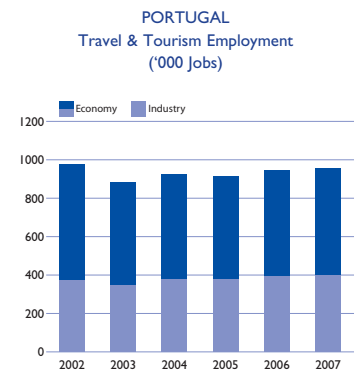
The 139,000 Travel & Tourism Economy jobs in Lisbon in 2007 represent 9.8% of the total workforce. By 2017, Travel & Tourism Economy employment is expected to increase by more than 50,000 jobs in Lisbon to 13.3% of total employment.

In 2007, due to the expected strong growth in visitor exports, the employment outlook for Travel & Tourism is very positive, with employment gains expected to exceed 7,500 jobs overall.

Assuming that growth in the economy remains positive and visitor exports strengthen over the next few years, there is strong potential over the next decade to create over 5,000 new jobs a year (both directly and indirectly). This would mean that the total number of jobs in Travel & Tourism would increase by 3.2% per annum between 2007 and 2017.

The charts on the right highlight a few points of interest. First, Lisbon's Travel & Tourism employment lost some ground in the early 2000s but is expected to consolidate the recovery experienced during the last three years.

Second, if Travel & Tourism employment in Lisbon as a percentage of total employment is compared with the respective shares of neighbouring and competing destinations, Lisbon comes well down the ranking. However, more encouraging is the fact that it ranks at the top end of the scale in terms of future growth performance as assessed by WTTC/Oxford Economics.



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy Employment (2007, % of Total Employment)

18	Malta	28.8
22	Cyprus	27.4
27	Croatia	21.6
28	Greece	20.0
29	Spain	20.0
35	Portugal	18.4
39	Tunisia	17.0
47	Morocco	15.5
57	France	13.2
69	Italy	11.5
	Lisbon	9.8
123	Turkey	6.9

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy Employment (10-Year Real Growth, Annualized, %)

7	Croatia	4.7
28	Greece	3.4
	Lisbon	3.2
51	Morocco	2.8
84	France	2.2
101	Spain	1.8
128	Tunisia	1.2
131	Malta	1.1
135	Portugal	1.0
145	Italy	0.6
153	Cyprus	0.4
166	Turkey	0.3

GROSS DOMESTIC PRODUCT

THE TRAVEL & TOURISM INDUSTRY IN LISBON IS EXPECTED TO PRODUCE DIRECTLY €2.8 BN (US\$3.8 BN), OR 4.8% OF TOTAL GDP, IN 2007.

The broader Travel & Tourism Economy (direct and indirect) is forecast to contribute €5.4 bn (US\$7.2 bn), or 9.1% of total GDP. The long-term expectations for Travel & Tourism GDP growth are positive, exceeding 4.6% annualized real growth to 2017. Over the same period, Travel & Tourism Economy GDP is forecast to gain 2.2 percentage points to reach a 11.3% share of total GDP, or €10.3 bn (US\$12.5 bn).

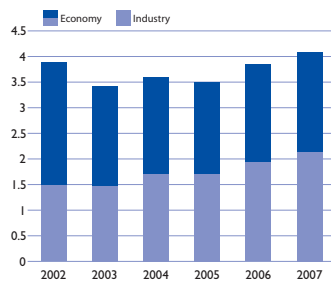
The Travel & Tourism estimates and forecast highlight the significant and sometimes massive economic stimulus of Travel & Tourism. The first set of charts (stacked bar) for Lisbon illustrates how the tourism industry acts as a leading economic catalyst as its contribution permeates through the region's Travel & Tourism Economy. These charts also illustrate how changes in the Travel & Tourism Industry result in a much larger impact of the broader Travel & Tourism Economy.

For Portugal, there is also significant leverage between both parts of the value added and they tend to move in step. In general, these charts illustrate how small, yet positive, changes in the Travel & Tourism Industry, especially visible in the charts for Portugal, result in a much greater impact on the broader Travel & Tourism Economy.

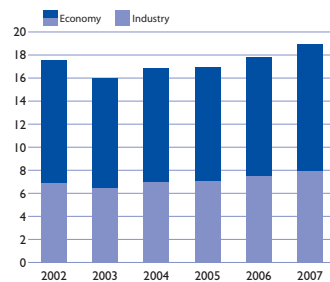
In the second set of charts (Cumulative Real Growth), Lisbon's Travel & Tourism Economy shows a healthy return to positive growth following negative results posted in 1999 and 2003. The same is true for Portugal. Also evident is the strongly positive outlook for growth over the next ten years. Overall, this expected level of growth is stronger than for Portugal, whose Travel and Tourism GDP is set to expand at a more moderate pace.

The league tables (left) compare WTTC/Oxford Economics' estimates for Lisbon and Portugal with their neighboring and competing destinations, showing respective Travel & Tourism Economy GDP as a percentage of total GDP. Lisbon is ranked at the lower end among its Mediterranean competitors, indicating a relatively modest economic contribution of its tourism sector. Meanwhile, Portugal is in a more favourable position, currently in 46th place among 176 countries. However, the second league table extract illustrates how Lisbon's prospects for GDP growth are at the top of the top-tier tourism-intensive economies, second only to Croatia. It also shows that the rate of expansion of tourism activity in Lisbon is expected to grow at about 1.4% faster than in Portugal as a whole.

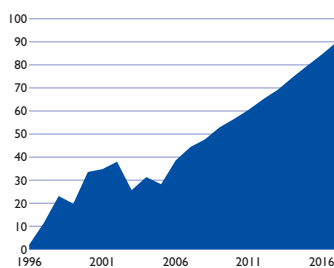
LISBON
Travel & Tourism GDP
(2000 Constant US\$ bn)



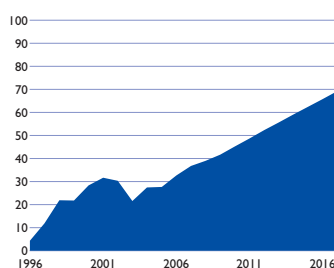
PORTUGAL
Travel & Tourism GDP
(2000 Constant US\$ bn)



LISBON
Travel & Tourism Economy GDP
(Cumulative Real Growth, %)



PORTUGAL
Travel & Tourism Economy GDP
(Cumulative Real Growth, %)



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy GDP
(2007, % of Total GDP)

23	Malta	23.7
25	Cyprus	21.5
33	Croatia	19.0
35	Spain	18.2
36	Tunisia	18.1
37	Morocco	17.9
43	Greece	16.5
46	Portugal	15.4
70	Turkey	11.9
78	France	10.9
81	Italy	10.2
	Lisbon	9.1

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy GDP
(10-Year Real Growth, Annualized, %)

1	Croatia	8.9
	Lisbon	4.6
103	Greece	4.0
104	Morocco	3.9
105	Turkey	3.9
108	Cyprus	3.9
117	Tunisia	3.7
119	Malta	3.7
137	Portugal	3.2
153	Spain	2.9
156	France	2.8
172	Italy	1.3

CAPITAL INVESTMENT

IN 2007, TRAVEL & TOURISM CAPITAL INVESTMENT IN LISBON IS EXPECTED TO TOTAL €1.2 BN (US\$1.6 BN), OR 11.3% OF TOTAL INVESTMENT.

In Lisbon, Travel & Tourism Capital Investment is expected to approach €1.24 bn in 2007, or 11.3% of total capital investment in the region. Meanwhile, the equivalent figures for Portugal are €3.7 bn representing a 10.8% of total investment.

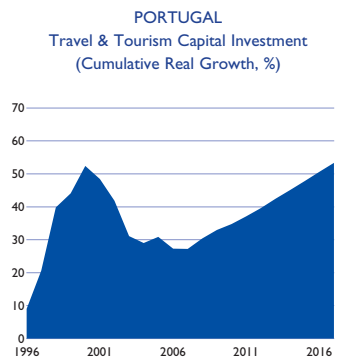
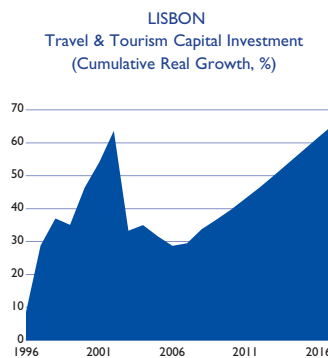
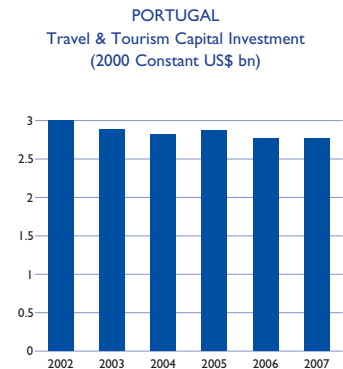
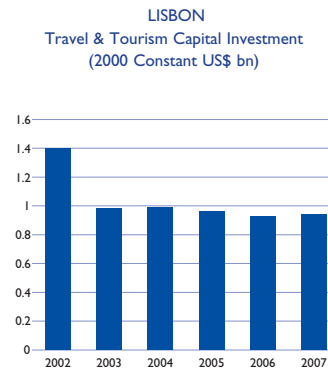
In both cases, the largest component of capital investment originates from the private sector in new plant and equipment, while the public sector invests in new Travel & Tourism infrastructure.

Examination of Travel & Tourism Capital Investment figures and forecasts lends greater insight into the market forces at work in a given economy and the expectations by the public and private sectors to meet the challenges and opportunities in the years ahead. For the most part, Travel & Tourism Capital Investment tends to be cyclical, with strong links to major public policy initiatives, the business/market cycle, major events (such as natural disasters) and significant socio-political changes. This intrinsic volatility in capital accumulation is well illustrated by the results over the past ten years in both Lisbon and Portugal.

Over the next ten years (2007-2017), the contribution of Travel & Tourism to Lisbon's capital investment account is expected to increase at an average rate of 3.6% per annum in real terms. This assumes a development of a generally positive period of capital accumulation in the region's Travel & Tourism economy over the forecast horizon, partly compensating for a low investment effort in the last five years or so. Meanwhile, Travel & Tourism Capital Investment in Portugal is set to grow at a lower 2.6% real growth over the coming decade.

The charts on the right illustrate several interesting points. First, Lisbon's Travel & Tourism Capital Investment is expected to show steady but significant growth as its economy builds. Second, when compared with neighbouring and competing countries, both Lisbon's and Portugal's rankings are generally positive – ie with regard to their positions in the broader listing of 176 countries in investment percentage terms for 2007. With Travel & Tourism estimated at 11.3% of total investment, Lisbon ranks between Morocco and Portugal among the selection of neighbouring countries.

However, Lisbon's Travel & Tourism Capital Investment growth prospects for 2007-2017 are relatively modest in the context of the WTTC league tables – below Tunisia's 104th position in the world listings. This ranking indicates that both Lisbon and Portugal need to renew their efforts to attract significant new business ventures over the coming decade.



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Capital Investment
(2007, % of Total)

21	Malta	26.8
34	Cyprus	19.3
39	Tunisia	16.9
53	Greece	14.4
55	Spain	14.1
64	Turkey	13.0
65	Morocco	13.0
	Lisbon	11.3
92	Portugal	10.8
101	Croatia	9.8
123	Italy	8.3
137	France	7.4

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Capital Investment
(10-Year Real Growth, Annualized, %)

14	Croatia	7.1
68	Greece	4.5
71	Morocco	4.5
81	Cyprus	4.2
95	Spain	3.9
97	Malta	3.9
103	Turkey	3.8
104	Tunisia	3.8
	Lisbon	3.6
145	Portugal	2.6
166	France	1.5
170	Italy	1.0

PERSONAL & BUSINESS

IN 2007, LISBON IS EXPECTED TO GENERATE €3.4 BN (US\$4.5 BN) OF PERSONAL TRAVEL & TOURISM CONSUMPTION BY RESIDENTS, OR 8.4% OF TOTAL PERSONAL CONSUMPTION.

Total Personal Travel & Tourism Consumption is expected to reach €3.4 bn (US\$4.5 bn) in Lisbon this year, and €12.1 bn (US\$16.2 bn) in Portugal as a whole. In addition, Lisbon's Business Travel is expected to total €579 mn this year, or US\$770 mn (88% corporate, 12% government). Meanwhile, Business Travel in Portugal is set to total €2.2 bn in 2007 (US\$3.0 bn).

Unlike visitor exports, which depend on international markets for consumers, the spending generated in these two categories depends on economic conditions in Lisbon and Portugal.

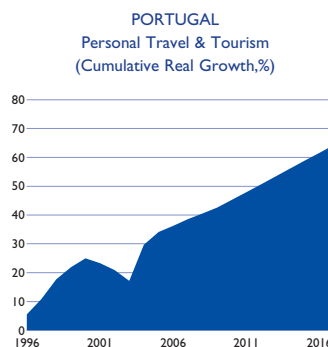
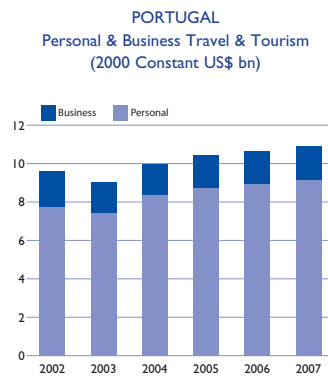
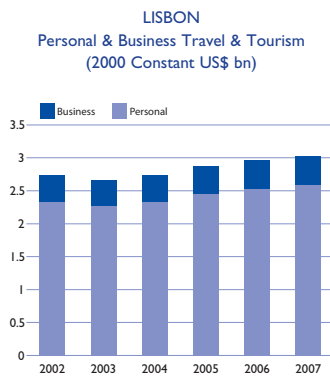
Since 1995 Personal and Business Travel & Tourism in Lisbon has enjoyed a period of healthy growth interrupted by a one-year decline in 2003. Over the next decade (2007-2017), Personal Travel & Tourism in Lisbon is expected to grow at an annual rate of 2.7%, while Business/Government Travel is forecast to grow by 2.3% a year.

Although some of this Travel & Tourism occurs within Lisbon, a significant part of it takes place outside the region (both in the rest of Portugal and abroad). When the spending does take place abroad, the satellite account generates a corresponding 'import credit', providing for an accurate assessment of Travel & Tourism 'produced' in Lisbon and Travel & Tourism 'produced' by the rest of the world (including the rest of Portugal).

The analysis of the region's results highlights a few interesting points. First, Lisbon's residents have recently spent about 8.4% of their personal expenditures on Travel & Tourism. This percentage is below the equivalent WTTC estimate for Portugal of 11.5% and the EU average of 11.1%.

Generally, the level of personal Travel & Tourism spending is directly linked to the development of the resident economy. As per capita income increases, so does Travel & Tourism spending. Portugal's improved living standards in the last decade are consistent with the positive trend of Lisbon residents' spending on Travel & Tourism, as illustrated by the stacked bar and cumulative growth charts on the left.

Finally, the league table extracts also suggest that, while Lisbon ranks in the middle tier of countries (below Italy's 52nd position in the ranking) in terms of current Travel & Tourism spending on a relative basis, it ranks less favourably in the worldwide listing in respect of future forecast growth of Personal Travel & Tourism. This suggests that the region is entering into a more mature stage in the development of its domestic and outbound travel opportunities.



WTTC LEAGUE TABLE EXTRACT
Personal Travel & Tourism
(2007, % of Total Personal Consumption)

19	Spain	14.0
30	Greece	11.8
35	Portugal	11.5
39	Croatia	11.1
41	France	10.9
45	Cyprus	10.1
52	Italy	9.6
	Lisbon	8.4
71	Turkey	7.6
91	Malta	6.2
98	Morocco	5.8
111	Tunisia	5.2

WTTC LEAGUE TABLE EXTRACT
Personal Travel & Tourism
(10-Year Real Growth, Annualized, %)

20	Croatia	6.2
38	Turkey	5.3
50	Malta	5.0
74	Cyprus	4.5
103	Morocco	4.1
119	Tunisia	3.6
124	Greece	3.5
	Lisbon	2.7
155	Portugal	2.6
160	France	2.3
162	Spain	2.2
170	Italy	1.5

EXPORTS

TRAVEL & TOURISM EXPORTS PLAY A STRONG AND VITAL ROLE IN LISBON'S TRAVEL & TOURISM BUSINESS.

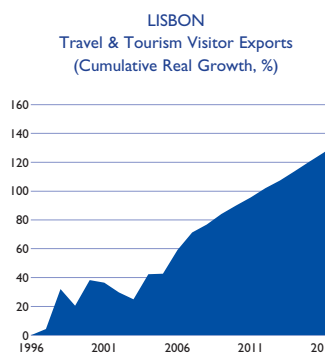
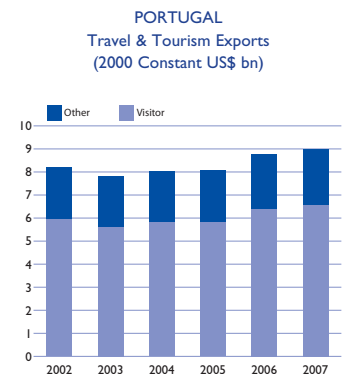
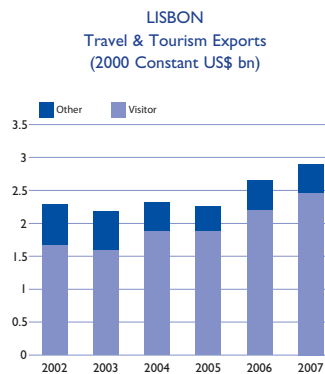
In 2007, Travel & Tourism Services and Merchandise Exports for Lisbon are expected to total €3.8 bn, or US\$5.1 bn – 86% from visitors and 14% from exported consumer and capital goods – representing some 40% of total Travel & Tourism Demand. The key component of foreign visitor spending in Lisbon accounts for nearly 40% of the region's export of services and an estimated 26% of total visitor exports for Portugal overall. Without question, as this category grows, it will enhance the health and vitality of Lisbon's Travel & Tourism sector.

Meanwhile, Portugal as a whole is expected to generate €11.9 bn (US\$16 bn) of Travel & Tourism Exports (both services and merchandise) in 2007 – 73% from visitors. This spending represents 37.3% of the country's Travel & Tourism Demand. Over the past ten years, the behaviour of Travel & Tourism Visitor Exports in Lisbon has been erratic, with surges in 1997-98 offset by sharp declines in 2002-03 – but with a positive average annual growth of 5.4% over the whole period.

Over the next ten years, Lisbon's Visitor Exports are expected to grow by a strong, and more stable, 6.3% per annum (inflation-adjusted figures), while Travel & Tourism Merchandise Exports (non-visitor exports) are forecast to record a much more modest growth of 3.3% per annum. The expansion of Visitor Exports over the forecast period is consistent with a 50% increase in the number of foreign tourist arrivals, to about 3.8 mn tourists by 2017 from the expected 2.5 mn in 2007.

Although long-term expectations for Lisbon's Travel & Tourism export growth (2007-2017) are fairly healthy, these forecasts – like any others – depend on future events and can therefore not be guaranteed. However, the balance of risks for Lisbon are on the upside, as the region's tourism activity – as well as Portugal's – is unlikely to be exposed to major destabilizing shocks such as natural disasters or terrorist attacks targeting tourists.

Examination of the WTTC league tables reveals that Lisbon is positioned around the mid-point of the scale of current Visitor Exports measured as a percentage of total exports – below Portugal which occupies the 63rd place. In the second league table, Visitor Exports' expected growth in Lisbon confirms the positive outlook ahead, since it ranks at the top end of the listings. This ranking sends a strong message that there is a need for the public and private sectors to pay significant attention to maintaining international visitor growth at these high levels.



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Visitor Exports
(2007, % of Total Exports)

23	Cyprus.....	34.6
27	Croatia.....	31.3
31	Morocco.....	30.3
37	Greece.....	26.7
45	Malta.....	22.8
51	Spain.....	20.2
52	Tunisia.....	20.1
63	Portugal.....	15.7
64	Turkey.....	15.6
	Lisbon.....	11.4
86	Italy.....	9.7
90	France.....	8.5

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Exports
(10-Year Real Growth, Annualized, %)

11	Croatia.....	8.4
	Lisbon.....	6.3
91	Portugal.....	4.5
101	Turkey.....	4.4
108	Greece.....	4.2
116	Cyprus.....	4.0
125	Malta.....	3.9
133	Morocco.....	3.7
134	France.....	3.7
147	Tunisia.....	3.5
165	Italy.....	2.6
168	Spain.....	2.5

GOVERNMENT

IN 2007, GOVERNMENT AGENCIES IN LISBON ARE EXPECTED TO SPEND €462 MN (US\$615 MN) OF CURRENT OPERATING FUNDS ON TRAVEL & TOURISM.

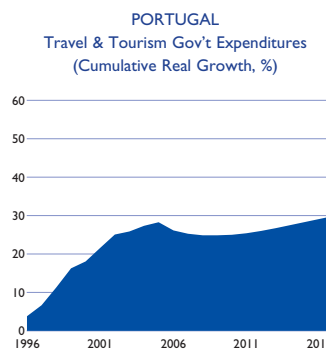
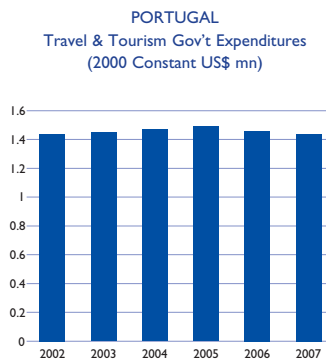
This represents 4.6% of total government expenditures, which are allocated to providing individual and collective government Travel & Tourism services to visitors, travel companies and the community at large. Over the next ten years (2007–2017), Travel & Tourism Government Expenditures in Lisbon are expected to increase by an average of 0.5% per year in real terms.

Governments in the European Union are forecast to allocate an average of 3.2% of their expenditures to Travel & Tourism-related functions, and to increase this spending by 1.2% per annum over the next ten years. The corresponding figures for Portugal are 6.0% of total government spending and 0.5% real growth for the coming decade – reflecting a relatively flat trend in the last two years. Based on these results, Lisbon’s 2007 relative government contribution of 4.6% is currently above the average level of its regional competitors, although it lags behind the equivalent figure for Portugal.

In this WTTC report, government expenditures in 2007 include individual expenditures of €279 mn (US\$371 mn) that can be linked to individual visitors, such as immigration services. But they also include collective expenditures of €183 mn (US\$244 mn) that are undertaken for the community at large – such as on airport administration – but which have a logical service connection to Travel & Tourism.

One would naturally assume there should be a direct link between the impact of an industry/sector like Travel & Tourism on the economy (in terms of GDP) and the amount of funding allocated by governments towards that industry/sector. In Lisbon, the 2007 ratio of Travel & Tourism Industry GDP (percentage of total GDP) to government expenditures is 1.0:1.0. In Portugal and EU-wide, this ratio is 1.1:1.0 and 1.2:1.0 respectively. This would suggest that compared with Portugal, Lisbon receives about the same level of contribution from government for each euro of GDP generated by its Travel and Tourism industry. But it also indicates that the public spending support currently given in the region is slightly below the relative support in the EU overall.

The league tables on the left show that Lisbon’s and Portugal’s government expenditures for Travel & Tourism are above the mid-point of the WTTC world listing, with Portugal ranking 48th out of 176 worldwide. However, when considering the outlook for growth, both region and country are placed toward the end of the world ranking, together with other EU countries. The less encouraging global positioning in terms of real growth partly reflects the expected strengthening of fiscal discipline and debt reduction across the EU in the coming years.



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Gov't Expenditures
(2007, % of Total Gov't Expenditures)

25	Malta	11.2
30	Cyprus	9.1
33	Greece	8.1
39	Tunisia	7.3
43	Spain	6.5
48	Portugal	6.0
	Lisbon	4.6
84	Morocco	3.6
86	Italy	3.5
103	France	3.0
155	Croatia	1.4
171	Turkey	0.7

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Gov't Expenditures
(10-Year Real Growth, Annualized, %)

22	Turkey	5.5
45	Tunisia	4.5
79	Morocco	3.7
104	Malta	3.3
130	Cyprus	2.7
161	Spain	1.5
162	Croatia	1.2
164	France	0.9
170	Greece	0.6
171	Portugal	0.5
	Lisbon	0.4
175	Italy	-0.2

SENSITIVITY AND SCENARIO ANALYSIS

THE SENSITIVITY ANALYSIS SHOWS THAT THE KEY ASSUMPTIONS MADE FOR THE TSA HAVE ONLY A LIMITED IMPACT ON THE ESTIMATED CONTRIBUTION OF TRAVEL & TOURISM TO THE LISBON ECONOMY. WHILE THE SCENARIO ANALYSIS CONFIRMS THE IMPORTANCE TO THE LISBON ECONOMY OF ATTRACTING FOREIGN VISITORS.

In order to produce the TSA for Lisbon, we have made a number of assumptions where information was lacking. In this section we report the outcome of our sensitivity analysis to assess the impact on our Travel & Tourism estimates of changes in those assumptions with the highest potential to influence the results. In addition, we include the outcome of a simulation exercise for key Travel & Tourism drivers over the forecast period.

We begin by evaluating the method adopted to estimate total private consumption in Lisbon. We use data on personal disposable income available for both Lisbon and Portugal. The share of Lisbon in the country's total disposable income is applied to Portugal's private consumption (from the Instituto Nacional de Estatística, INE) to obtain Lisbon's values. By following this procedure, we are implicitly assuming that Lisbon's savings rate is similar to Portugal's.

The first table below shows the consequences of altering Lisbon's estimated share of Portugal's private consumption by two percentage points either way. Most of the impact is transmitted to stock accumulation, which in the WTTC methodology has no Travel & Tourism weight. Therefore, the final effect on the Travel & Tourism economic contribution (Travel & Tourism GDP) is limited, mostly resulting in changes in the amount of imports and travel spending by Lisboans.

LISBON SENSITIVITY ANALYSIS: Total Private Consumption

Assumption	Low	Central	High
Lisbon's % on Portugal's private consumption	31.4%	33.4%	35.4%
Output (2007)			
Consumption as % GDP	64.4%	68.5%	72.6%
Stocks as % GDP	4.9%	3.0%	1.1%
Lisbon T&T Personal Consumption (€ mn)	3,368	3,410	3,453
(as % total consumption)	8.8%	8.4%	8.0%
T&T Imports (€ mn)	4,094	4,127	4,160
(as % total consumption)	19.9%	20.1%	20.2%
T&T Economy GDP (€ mn)	5,366	5,383	5,400
(as % of total GDP)	9.05%	9.08%	9.10%

Next, we assess the impact of changes in the estimation of travel spending by non-residents. Results are presented in the second table. To obtain the amount spent by foreigners in Lisbon, we assumed a factor of the recorded daily average spending by foreigners in Portugal. For instance, the factor chosen for 2007 is 1.35, which means that foreigners' daily spending in Lisbon is assumed to be 35% higher than their average spending in Portugal. This up-rating is mostly justified by higher accommodation costs and food spending in the capital. Meanwhile, to estimate the spending by Portuguese visitors in Lisbon we calculate their daily spending as a proportion (0.65) of the amount spent by a foreign visitor.

The results indicate that changing the factor used to calculate spending by foreigners by about 8% (eg from 1.35 to 1.25) has an impact on the total visitor spending of about 5% (from €2,818 mn to €2,671 mn), and on the relative contribution to GDP of less than 0.3 percentage points (from 9.08% to 8.79%). Meanwhile, the corresponding impact of a similar change to the assumed factor for spending by Portuguese visitors (eg from 0.65 to 0.6) is relatively minor, resulting in a 0.04 percentage point drop in the bottom-line economic contribution (from 9.08 to 9.04%).

LISBON SENSITIVITY ANALYSIS: Average spending by foreigner visitors

Assumption	Low	Central	High
Ratio Lisbon/Portugal	1.25	1.35	1.45
Output (2007)			
Visitor Spending by foreigners (€ mn)	2,671	2,818	2,893
T&T Economy GDP (€ mn)	5,217	5,385	5,473
(as % of total GDP)	8.79%	9.08%	9.23%
Average daily spending by Portuguese visitors			
Assumption	Low	Central	High
Ratio Portuguese/foreign	0.6	0.65	0.7
Output (2007)			
Visitor Spending by the Portuguese (€ mn)	409	432	45
T&T Economy GDP (€ mn)	5,363	5,385	5,408
(as % of total GDP)	9.04%	9.08%	9.11%

We also assessed the impact of considering all changes together. This provides useful information to calculate a confidence interval for the central TSA estimations. In more detail, such an interval is constructed based on the minima and maxima of the key assumptions. The result of this calculation indicates that, in 2007, Travel & Tourism Economy GDP should lie in the €5.2–€5.6 bn interval (representing 8.7% and 9.5% of total GDP). The corresponding interval of confidence for 2007 under the industry concept (direct effect only) is €2.7–€3.0 bn interval (or between 4.5% and 5.1% of total GDP). This sensitivity analysis performed over the forecast period generates intervals with similar width. However, note that in this case the interval does not reflect any of the uncertainty intrinsic to the future. A more appropriate procedure to account for that uncertainty is scenario analysis.

The last table summarizes the output of two simulations reflecting different predictions for the main drivers of our forecast. Here we are interested to show the impact on Travel & Tourism's contribution in the longer term (2017) under different scenarios. Results are reported in terms of percentage differences with respect to our central forecast. First, we increase the average spending by foreign tourist by 10% (nominal terms) above our central case during the period 2008–2010. This rise can be justified in terms of higher arrivals or/and increased spending per tourist. The second simulation implements a stronger Travel & Tourism investment effort (up by 10% relative to the central case), together with a similar increase in government support over the next five years. These changes could be associated with a more dynamic expansion of hotel infrastructure, thereby attracting additional visitors, and to additional governmental support for tourism initiatives in general.

The results reinforce the message of the economic benefits for the region in attracting foreign visitors. Thus, a significant and sustained rise in visitor spending would result in a lift in the economic contribution to GDP of 1.3 percentage points by 2017, which has the potential to generate over 27,000 extra jobs in the broader economy – of which nearly 18,000 jobs are directly in the tourism industry. Meanwhile, the second simulation quantifies the additional benefits in terms of GDP and employment of higher tourism-related investment and government stimulus.

LISBON SCENARIO ANALYSIS: Results for 2017 – central vs scenario

Scenario 1: Visitor spending by foreigners 10% higher over 2008-2010

Scenario 2: T&T Investment and government spending up 10% over 2008-2012

	Central forecast	Scenario 1	Scenario 2
		absolute diff. relative to central case	
Visitor Exports (€ mn)	7,315	1,205	167
(as % of total Exports)	26.1%	3.5%	0.7%
T&T Economy GDP (€ mn)	10,313	1,228	162
(as % of total GDP)	11.3%	1.3%	0.2%
T&T Economy Employment ('000 jobs)	189.9	27.5	2.8
(as % of total Employment)	13.3%	2.0%	0.2%
T&T Industry Direct Employment ('000 jobs)	109.6	17.9	2.
(as % of total Employment)	7.7%	1.3%	0.2%

THE POLICY FRAMEWORK

POLICY RECOMMENDATIONS

THE STRATEGIC IMPORTANCE OF TRAVEL & TOURISM FOR THE LISBON REGION, AS FOR PORTUGAL, IS INDISPUTABLE. ITS ECONOMIC CONTRIBUTION IS CRITICAL FOR WEALTH GENERATION, FOR EMPLOYMENT CREATION AND FOR THE IMPROVED WELL-BEING OF THE POPULATION AS A WHOLE. AS ONE OF THE COUNTRY'S MAIN CENTRES OF TRAVEL & TOURISM ACTIVITY, AND THE SECOND MOST IMPORTANT REGION IN TERMS OF FOREIGN TOURIST OVERNIGHTS, THE LISBON REGION IS ALSO WELL POSITIONED AS AN IMPORTANT GATEWAY TO THE REST OF THE COUNTRY.

This can help stimulate and secure opportunities for economic and social development in less privileged regions. So any development policy or strategy must therefore focus on positioning Lisbon as a central hub of Travel & Tourism activity, with the aim of spreading the benefits of Travel & Tourism to other parts of the country – in particular, the Algarve, Porto and Douro, and the northern regions of Portugal.

As the capital city of Portugal, where the lion's share of infrastructure, resources and services are concentrated, Lisbon is already established as one of Europe's preferred destinations for the meetings industry, and it is a growing destination for leisure travellers. However, its potential for Travel & Tourism growth is a long way from being fully tapped.

There are opportunities for growth through both market and product diversification. A number of market segments are, for example, under-represented in the Lisbon region. These include tourists interested in culture and fashion, as well as those seeking nature-based ecotourism. But more traction can also be gained by increasing the region's share of the city-break market, nautical and cruise tourism, as well as the corporate travel market and meetings, incentives, conferences and exhibitions (MICE) business. Clearly, new product development needs to focus on these under-represented markets, expanding the region's tourism offer and broadening its appeal to different segments.

Tapping the Lisbon region's full Travel & Tourism potential will depend on a number of factors, all examined in this report, including the regeneration of centres of key tourism interest, maximization of the returns from under-developed tourism assets such as the Lisbon region's parks, and development of more efficient transport and communication links, as well as achieving business, commercial and educational excellence.

According to estimates made by WTTC and its research partner Oxford Economics, in the context of this Tourism Satellite Account simulation exercise for Lisbon, Travel & Tourism is already of strategic

importance for the social and economic development of the region. In 2007, the wider Travel & Tourism Economy will account for 9.1 per cent of the Lisbon region's gross domestic product (GDP) and 9.8 per cent of total employment.

Moreover, forecasts by WTTC/Oxford Economics project a 4.1 per cent annual growth in Travel & Tourism Economy GDP and a 3.2 per cent increase in Travel & Tourism employment over the next ten years so that, by 2017, the Travel & Tourism Economy in the Lisbon region is expected to represent 11.3 per cent of Lisbon's total GDP and provide 13.3 per cent of all jobs.

However, it will simply not be enough to sit tight and wait for these positive forecasts to materialize. It is important these projections be translated into a sustainable Travel & Tourism development policy for the Lisbon region, to ensure positive economic and social returns for all stakeholders – public entities, private companies and the population at large.

A concerted effort is needed to elaborate a supportive policy framework for the medium- and long-term success of the industry, by creating essential and appropriate conditions for Travel & Tourism to prosper, at all levels, building on the quality of the destination in an ever more competitive global market. As more and more cities across the world have come to appreciate the enormous potential that Travel & Tourism offers for urban regeneration and development, competition among cities and regional destinations has intensified.



Destinations that are successful in ensuring the sustainable growth of Travel & Tourism will be those that clearly differentiate their offer from that of other destinations. This means identifying and promoting the authentic and unique characteristics of the destination and its people through the adoption of a long-term development policy prepared in cooperation with all the stakeholders who stand to benefit from Travel & Tourism.

In this context, the challenges facing the Lisbon region are enormous. In order to compete head on with its competitors in other parts of Europe, Lisbon must not only differentiate its tourism products, but must also ensure that it can offer facilities and service levels appropriate to this improved product.

The organization and promotion of Lisbon as a destination region – as well as a tourism experience – to target audiences will also have a significant impact on the competitive positioning of the destination in the longer term.

The policy recommendations listed in this report are designed to help develop an environment which supports the successful and sustainable development of Travel & Tourism as a thriving economic and social activity for the region and people of Lisbon. These recommendations are also aimed at maximizing the potential of Lisbon's Travel & Tourism assets, at the same time as nurturing natural, historical and cultural assets for the long-term benefit of visitors, businesses and the local community.

WTTC's key recommendations for the Portuguese public and private sector leaders include:

- Sharing a strategic vision of Travel & Tourism for the Lisbon region;
- Developing and promoting Lisbon as a brand;
- A long-term phased development policy for Travel & Tourism regeneration and innovation;
- The removal of barriers to growth;
- A continued effort to attain and maintain excellence in human capital, with a special emphasis on leadership; and
- Adding value to the Travel & Tourism experience in the Lisbon region.

PUBLIC-PRIVATE SECTOR SYNERGY

Sharing a strategic vision of Travel & Tourism

Historically, there has been a lack of awareness in the Lisbon region as to the importance of Travel & Tourism and the far-reaching impact of the industry. Not only does it directly affect the growth of transport, accommodation and recreation facilities, but it also acts as a catalyst for growth in other areas, such as manufacturing, construction, agriculture, banking and retail. Until now, there has not been a clear understanding of the influence of Travel & Tourism on reducing regional imbalances, and stimulating economic and social development across the region.

With this study, the Lisbon region has gained valuable insight into the direct and indirect impact of Travel & Tourism across all levels of the economy, as well as into how the market is expected to evolve. The region will be able to update this simulated Tourism Satellite Account (TSA) on an annual basis, comparing forecasts for Travel & Tourism's performance and growth. This TSA therefore provides Lisbon with a tool for the development of a sound political framework to help realize the industry's potential and to assist with decision-making at all levels.

WTTC encourages the Portuguese and Lisbon's regional authorities to lead a major communications effort to share the findings of this report regionally, nationally and internationally, and to stimulate public-private sector dialogue towards an agreed consensus of action, in order to realize and even surpass baseline forecasts. Dialogue should extend to all the different groups, sectors and industries involved in Travel & Tourism.

The challenges facing the Lisbon region are enormous. In order to compete head on with its competitors in other parts of Europe, Lisbon must not only differentiate its tourism products, but must also ensure that it can offer facilities and service levels appropriate to this improved product.

By developing a collection of differentiated attractions, aimed at maximizing the potential of its unique historical, natural and cultural assets, the Lisbon region will be able to create its own brand, or strategic space, in the global Travel & Tourism market.

Sharing the historical data and forecasts relating to Travel & Tourism performance, as well as sharing the vision about the positioning of Lisbon as an international brand, are crucial factors for long-term success.

The development and implementation of any vision or strategy requires the commitment, coordination, cooperation and involvement of all stakeholders. Leadership is also a critical component, helping to rally interested parties and to steer activities towards long-term, common goals and objectives.

In this context, Turismo de Lisboa (the Lisbon Tourism Board) is perfectly placed to develop this effort. As the organization representing the public and private sectors of Travel & Tourism in the region, Turismo de Lisboa can lead in the elaboration of a constructive medium- and long-term strategic vision for the development of the industry.

In order to motivate the various participating organizations into pooling their resources and pulling together to make this strategic vision a reality, the local and regional authorities that participate in Turismo de Lisboa must make each and every one of the stakeholders – including other public entities, private companies and the population as a whole – aware of the potential benefits of Travel & Tourism growth in the region. This effort would be heightened with the support of the municipal, regional and central governments, at the highest levels.

Once these benefits are clearly recognized, each stakeholder should assume some part of the responsibility for developing the strategic vision for Travel & Tourism in the Lisbon region. Public entities should adopt a modern and proactive approach towards identifying and tapping opportunities, facilitating private sector confidence, and streamlining investment procedures. The local population should be encouraged to welcome the social and economic opportunities brought by Travel & Tourism, contributing to advancing environmental protection, as well as promoting a real sense of welcome and service delivery to both national and international visitors.

At all levels, this ‘awareness building’ campaign will require continuous and consistent communication, promoting Travel & Tourism as a priority for the social and economic development of the Lisbon region, private companies and residents alike.

BRAND ‘LISBON’

Developing and promoting a new image for the region

Under the auspices of Turismo de Lisboa and with the experience of Roland Berger, a new strategic marketing plan for Lisbon was completed this year – the Plan Estratégico do Turismo de Lisboa 2007-2010. Building on the success of the last three-year plan, the 2007-2010 strategy does well to define an up-to-date value proposition for Lisbon, as well as outlining a valuable approach to marketing and promoting this proposition, in close cooperation with Turismo de Portugal.

WTTC fully supports Turismo de Lisboa’s attention to the region’s key Travel & Tourism assets, as set out in the latest Strategic Plan, and which include its important attractions and areas of particular interest. But it also encourages the different stakeholders to develop and promote the unique and authentic experiences that the region offers to visitors, and which contrast with those offered by other destinations.

Given the highly competitive environment in which cities across the world operate, Lisbon will need to be extremely focused in marketing and promoting its value proposition if it is to reach target audiences and compete effectively with other destinations.

By developing a collection of differentiated attractions, aimed at maximizing the potential of its unique historical, natural and cultural assets, the Lisbon region will be able to create its own brand, or strategic space, in the global Travel & Tourism market.

A brand offers potential visitors a promise of the experience that they are likely to enjoy in a given destination, which may include the promise of iconic sites that they will be able to see.

In building a recognizable brand for a city, many destinations across the world actively invest in the promotion of a unique set of experiences and sites that are easily identifiable as a unique proposition for the given city.

Lisbon's international competitors have been careful to identify and promote iconic landmarks, which can be easily identified by target audiences. As an example, Big Ben or the London Eye in London, the Eiffel Tower in Paris, or the Sagrada Familia in Barcelona are instantly recognizable. WTTC encourages Lisbon to promote the landmarks of its region in a similar fashion, positioning them among the world's most recognizable tourism brands.

In recognition of the real contribution of Travel & Tourism to the Lisbon region, the Government of Portugal should increase its financial support of Turismo de Lisboa, thereby providing increased impetus for marketing and promotion. This investment will have a positive impact on Travel & Tourism in other parts of Portugal.

As a public-private partnership, Turismo de Lisboa is well placed to pull together real expertise and commitment from all stakeholders in Lisbon's Travel & Tourism, whether from the public or private sectors. WTTC encourages all parties, including Turismo de Portugal, to inject more energy into their support of Turismo de Lisboa, in order to expand and enhance the tourism body's marketing and promotional activities.

REGENERATION AND INNOVATION

A long-term phased development policy

With the full commitment of the different public authorities involved in planning and tourism, as well as that of the private sector and other interest groups, the Lisbon region will be ready to execute a phased development policy for the regeneration and renewal of Travel & Tourism across the region.

The Lisbon region possesses a unique combination of attractions which provide a strong foundation for the development of a policy promoting sustainable Travel & Tourism development and growth. The historic and cultural attractions of the city of Lisbon are complemented by the scenic beauty and wide-ranging tourism attractions and facilities in the coastal areas of the region – together, offering a diversified set of experiences for tourists.

Rather than emulating strategies pursued by other destinations across the globe, this policy offers Lisbon the means of developing a customized strategy that will nurture the region's cultural, natural, architectural and historic appeal in a way that will stimulate a thriving Travel & Tourism industry.

The Lisbon region extends across a vast land mass and covers several small and distinct communities, towns and districts, which possess contrasting tourism attractions. Moreover, many of Lisbon's attractions are unique to the region, so they are able to ensure an unparalleled,





authentic Travel & Tourism experience for visitors. WTTC advocates a strategic focus on planning and development for each district, with an emphasis on each district's unique attributes and opportunities. With centralized leadership, but allowing for decentralized implementation, the policy will ensure flexibility at all levels in terms of adoption and implementation of the policy for each district.

The 2007–2010 Strategic Plan does well to identify 'micro-centres' of interest based on specific concepts and attributes of given areas/districts. Turismo de Lisboa is therefore equipped with a geographical plan for development and communication.

At the outset, it is important to note that this policy promotes continued investment, innovation, commitment and leadership. The benefits accruing from this development policy are aimed at ensuring sustainable growth, which can be realized in the short, medium and long term. Constant monitoring, transparent dialogue and a commitment to public-private partnership will be key to the policy's success.

The regeneration policy

WTTC encourages the Lisbon region to develop and promote a unique set of experiences that contrast with those offered by other destinations. It recommends that Lisbon's key attractions be organized in clusters of experiences, which create appeal and prominence for given areas. Some of these clusters have already been identified in the Strategic Plan, which presents three 'macro-centralities' (at the regional level) and several 'micro-centralities' (at the city level).

The macro-centralities are Estoril/Cascais, Sintra and the Península de Setúbal. The micro-centralities, which focus on historic centres that collectively create the 'city's soul', include the axis Baixa/Chiado, Alfama/Castelo/Mouraria, Avenida da Liberdade/Parque Eduardo VII, and Bairro Alto/Santos. Belém is conceived as a museum area with a particular emphasis on the 'discoveries' and the Nation's Park is positioned as a centre for the meetings industry and the corollary of modern Lisbon.

Regeneration and innovation initiatives should be centred in these areas, capitalizing on existing strengths and overcoming any weaknesses. As far as the Alfama/Castelo/Mouraria region is concerned, for example, urban rehabilitation, improved police vigilance and easy access from Baixa are notable issues for improvement. In the Avenida da Liberdade, the regeneration of Parque Mayer and Rossio Station will help to attract new hotels, new brand development, and further Travel & Tourism related investment.

WTTC encourages Turismo do Lisboa to identify key attractions and opportunities that offer Travel & Tourism potential across the region. This analysis of Lisbon's key attractions will naturally lead to the identification of clusters of experiences, which create a prominent feature for towns or districts. Examples include fashion retail in Baixa-Chiado, a centre for the meetings industry in Nation's Park, culture and the arts in Belém District and Sintra, and golf in Estoril, Cascais, Sintra and the Costa Azul (Península de Setúbal).

A comprehensive assessment of the districts in question should consider opportunities for Travel & Tourism development, placing

the conservation of these districts and of their key attractions at the heart of this analysis. Nevertheless, in addition to these key attractions, which are already included in Lisbon's Travel & Tourism marketing and promotion, there should be a comprehensive assessment of other assets, whether monuments or events, which offer strong potential for tourism growth. This base of information will provide all the different authorities interested in the region's Travel & Tourism growth with projects that will focus on:

- The restoration of old monuments and architectural heritage, such as the facades of old buildings, pavements, parks and esplanades;
- The renovation of buildings for collective use – such as old palaces which may be developed into luxury hotels and accommodation or other tourist facilities;
- The renewal of pedestrian areas, communal public spaces, historic monuments and other attractions;
- The creation and promotion of events of tourism interest, including mega events that require new infrastructure, but which have widespread international impact, as well as promotional events related to sports, culture, fashion, gastronomy and wines;
- Marketing communication programmes to promote new/renewed attractions;
- Innovative products, particularly those related to national traditions – eg the 'fado' (a popular Portuguese lament/song), equestrian activities (Cavalo Lusitano), or the local cuisine – and that can be motivating factors for potential visitors. These can be used in planning tour packages/itineraries, renewing museums, creating new merchandise and developing recreational activities.

Independent or collective opportunities will emerge, offering authorities a clear plan for capital investment, as well as possible projects that can be undertaken by the government directly, or which can be offered for development to local entrepreneurs with the support of development grants. In order to ensure that historic features are preserved and nurtured, such projects can be guided and monitored by planning agencies and government authorities. A portfolio of development opportunities for the Lisbon region will help to stimulate interest among small and medium-sized investors, as well as among the bigger international players.

State-owned and operated buildings that could be transformed into luxury hotels and tourism attractions may be considered when developing a regeneration policy. Governing authorities would be advised to assess the assets in their portfolios and to consider opportunities for restoration/rehabilitation and potential private sector usage for the site. In instances where a transfer of assets from the public to the private sector may not be appropriate, other options such as a lease agreement or private management should be considered.

At all stages of the process, a concerted communications effort will be critically important. At this level, Turismo de Lisboa's marketing communication instruments such as *RTL Magazine*, the *Lisboa Inside Webletter*, its media relations office and its participation in trade fairs and workshops are valuable. An open and proactive communications



Environmental considerations must always be at the forefront of any development policy.

approach will help Lisbon ensure the commitment of all parties, including local communities, who stand to gain from social and economic regeneration. Certainly, communications efforts will need to be thought out carefully to ensure that local, national and international investors and brand leaders are part of the long-term process.

Environmental considerations must always be at the forefront of any development policy. In addition to the attractions themselves, each district identified should receive attention in terms of the cleanliness of its public spaces, avoidance of unnecessary pollution, and enhanced safety and security – which is already a key strength throughout the region.

In addition to developing a concerted policy, which focuses on strategies for specific districts in the Lisbon region, all agents are encouraged to ensure a complicit and integrated effort, which will help to link development and to open corridors of activity across the region, as well as having an integrated marketing approach. Certainly, it will be fundamentally important to provide an articulated, consistent and coherent link to the different tourism opportunities for investors. And for tourists, a well-structured and integrated offer will be a major strength.

The planning process and the implementation of the projects outlined will touch on a number of other industries, sectors and interest groups across Lisbon and Portugal. Consequently, representatives of other groups should be invited to participate in the whole regeneration process.

The regeneration and restoration projects spread across the Lisbon region can be a vital tool for the creation of new jobs, career opportunities and wealth. However, any efforts in this regard will not succeed if they are seen as a one-off shot. They will have to be part of a long-term phased policy, with correspondingly phased programmes and short- as well as long-term objectives. At the same time, the public authorities will need to review and improve the investment climate in Lisbon, ensuring a supportive framework and a platform that is conducive to potential investors. Turismo de Lisboa is encouraged to create a specialized team to attract and encourage potential investors to the Lisbon region, and to respond to the specific demands of potential investors.

If adopted by decision-makers at all levels across the region, this development policy can have a significant, positive impact on the livelihood of communities in the respective, and neighbouring, districts. New jobs and careers will be created, and entrepreneurs will find opportunities for investment and development. Therefore, a concerted effort will be required to inform people of these opportunities and to point them toward educational or vocational training programmes that will help the local residents develop new and improved skills to ensure the successful development of the region.

Human resource development, accessibility, and other factors of key importance to the long-term success of Travel & Tourism for Lisbon are outlined in the following sections of this Policy Framework.

REMOVAL OF BARRIERS TO GROWTH

Air access

Lisbon's prospects for economic growth through Travel & Tourism depend heavily on the accessibility of the region via all the different transport modes. Air transport, in particular, is of vital importance in linking Lisbon to key international tourism markets.

The problem is that Lisbon's International Airport is fast approaching its maximum capacity and it faces serious capacity constraints in the short to medium term, which will affect the quality of airline services offered to passengers using the facility. In addition to limiting growth in terms of the number of foreign tourists coming to Lisbon, and inhibiting the organization of new international events in Lisbon and the country as a whole, Lisbon International Airport may be forced to turn away countless flights. As a result, both traditional/network airlines and low-cost carriers (LCCs) already operating to, or considering operating to, Lisbon could be discouraged

from doing so because of the restrictions on adding new frequencies or securing specific slots.

In order to improve air access to the Lisbon region, and to the rest of the country, the current airport is being expanded. In the coming months, construction work on the new domestic terminal will be completed. In the meantime, a completely new airport is planned. It is expected that Lisbon's new international airport, with a capacity for more than 30 million passengers a year, will be up and running by 2017.

However, this will not be soon enough. Current projections point to a significant increase in passenger demand over the next few years, casting serious doubts over the existing airport's ability to cope with the growth in a sustainable way up to 2017. At current growth levels, demand will outstrip the airport's maximum capacity by 2010–11, despite the addition of the new domestic terminal and planned improvements to the international terminal.

With a strong potential for growth in international arrivals and Travel & Tourism exports, the Portuguese Central Government and Lisbon's regional government in partnership with Turismo de Lisboa must address this serious lack of capacity as an urgent priority, in order to ensure that the Lisbon region will be able to cope with the expected demand for airport services. Turismo de Lisboa could work with the government, supplying different tourism growth scenarios using the simulated TSA projections. At the same time, the government should ensure that the existing Portela Airport operates to maximum efficiency, both for passengers in transit and, even more importantly, for tourists coming to the Lisbon region and the rest of the country.

Road and rail access

Alongside air transport, WTTC considers maritime, road and rail transport as critically important for Lisbon as a region.

Access by sea is currently limited to three cruise ship terminals – in the Alcântara, Rocha de Conde de Óbidos and Santa Apolónia areas. To improve this means of access into Lisbon and also contribute towards the growth in cruise ship tourism, a new cruise ship terminal is being built in the Santa Apolónia area. It will be able to accommodate five cruise ships at the same time. Following the completion of work, the terminal should be operational by 2008. This development is considered a key component of the region's long-term development policy. The new cruise terminal can act as a catalyst to developing Travel & Tourism for Lisbon, opening up additional services for incoming visitors.

Many destinations across the world have failed to develop holistic tourism, which extends beyond the building of new facilities. In addition to building a new cruise ship terminal, Lisbon must try to ensure easy access to and from the terminal. It must pay particular attention to design, architecture and planning, as well as providing street-level access, so as to facilitate seamless connectivity and provide easy access for tourists to nearby attractions and facilities.

With regards to improving land access, the high-speed (TGV) rail link connecting Lisbon with Madrid should also boost tourism potential. It is expected to be operational by 2011, providing access to European tourists travelling by rail, in particular Spanish visitors who currently account for a significant share of international travellers visiting the Portuguese capital.

To ensure that the incoming TGV provides access to Lisbon, WTTC encourages the public authorities to consider the provision of seamless connections from the rail hub to the rest of the country, whether by rail, road, sea or air. Enterprising transport providers should be encouraged to consider different options for new links between the rail hub and the rest of the region/country.

A recent study suggests that Lisbon may be developed into a Travel & Tourism hub. This study aims to anticipate the opportunities that will arise with the new airport, the high-speed train, the new cruise terminal, the existing port and roads, and the demand forecast by WTTC.

According to this study, Lisbon is well placed as a Travel & Tourism hub, offering seamless connectivity to the rest of the country and the Iberian Peninsula, and between Europe, South America and Africa. By applying a tourism hub concept, Lisbon can help to sustain current and future infrastructure projects, ensuring adequate growth in demand for them. Turismo de Lisboa should therefore involve all the different authorities in the hub project and work together with them in its implementation.

According to this study, Lisbon is well placed as a Travel & Tourism hub, offering seamless connectivity to the rest of the country and the Iberian Peninsula, and between Europe, South America and Africa.

Bureaucracy

Foreign direct investment in the Lisbon region is currently hindered by a high level of bureaucracy and red tape for investors applying for planning permission and different construction licences. Procedures are complex and long-winded and there are too many organizations – both private agencies and public authorities – involved in the process. This does not augur well for the future development of Lisbon's tourism as it could have serious consequences on the region's investment potential.

The successful implementation of a long-term development policy for the Lisbon region and other plans in general depend on the existence of a fast, transparent and streamlined process of planning and approval. Instead of simply reacting to applications from the private sector and confounding applicants with bureaucracy, the Lisbon and Portuguese authorities are encouraged to take a proactive stance, ensuring a one-stop shop for applications and clearing procedures, and actively attracting investment and enterprise from local, national and international investors.



HUMAN CAPITAL

Attaining and sustaining excellence

The Travel & Tourism industry is directly responsible for around 5.5 per cent of total employment in the Lisbon region – or some 78,700 jobs. In a broader sense, when the indirect and direct impacts of Travel & Tourism are taken into account, the contribution of this industry to employment rises to 9.8 per cent, accounting for 139,100 jobs across the region.

Customer feedback and market research point to an undeniable link between the tourism experience and the quality of service delivery. A positive and lasting impression, based on the relationship of a visitor and the service provider in our industry, helps to support the most powerful means of marketing and promotion – word of mouth – as well as encouraging repeat visitation, which is widely welcomed by Travel & Tourism investors.

As a labour-intensive industry, Travel & Tourism offers Lisbon an opportunity to create lasting career opportunities for local residents, who are at the same time ambassadors of the region and the country as a whole.

To ensure maximum benefit for all stakeholders in this regard, Lisbon must invest in developing human capital to deliver service excellence and to promote career development for employees looking to attain management levels and become leaders in the industry.

Lisbon has an excellent pool of academic leaders and private sector companies, which already excel in terms of service. The public authorities, both at regional and national levels, must support all industry efforts to bridge the current gap between the educational authorities and private sector of the industry to ensure that the right level of skills are defined and that training programmes are competitive with the best international standards. Particular attention should be drawn to:

- Planning, so as to ensure education and training provides the necessary skills and qualifications to meet the needs of the industry;
- An all-embracing approach to human resource development, encompassing all sectors of the Travel & Tourism industry – ie jobs directly in the industry, such as hotel and airline staff, as well as all related sectors, such as restaurateurs, taxi and bus drivers, and retail service providers;
- Developing language skills, eg Mandarin and Japanese, that match the needs of growing markets;
- Including Travel & Tourism development and training that provide links to other academic and practice disciplines, to promote excellence in the application of new technologies and the arts;
- Investing in subsidized and shared educational programmes, to encourage a wider segment of the local population to become involved in tourism; and
- Promoting a sense of pride among those involved in Travel & Tourism and in welcoming and handling tourists – including a shared responsibility in the upkeep of local facilities, monuments and parks.

With respect to the gaps in the ongoing education and training of personnel already working in the sector, the following specific requirements should be noted:

- The addition of further academic qualifications and the acquisition of specialized skills needed for Travel & Tourism;
- Customer service training;
- Technical, administrative, management and leadership skills development;
- Exchanging ideas and skills on best practice in customer service with other countries, which are recognized as leaders in these areas

In this way, WTTC believes that the Portuguese Government and Lisbon's regional authorities should put human capital at the top of its list of priorities – including the development of human resources, sponsorship, and the ongoing education and training of those already working in the sector. WTTC also recognizes that, with concrete investment in this area, the Lisbon region will become more competitive and will ensure the conditions necessary to become a centre of international excellence in tourism education and training.

As a labour-intensive industry, Travel & Tourism offers Lisbon an opportunity to create lasting career opportunities for local residents, who are at the same time ambassadors of the region and the country as a whole.

ADDING VALUE

Ensuring an optimal Travel & Tourism experience

Following the consultations and focus groups carried out with local and international business leaders active in the Lisbon region, as well as with other key stakeholders, WTTC recognizes that:

- The vast majority of historic buildings in the Lisbon region, which are of particular architectural interest, are occupied by national or regional public entities. This is different from the situation in other major European capital cities, where several such assets are turned into luxury hotels, museums, tourist attractions and other facilities for public leisure, recreation and entertainment.
- Given that Lisbon is a city with a rich and colourful history spanning nine centuries, there is an opportunity for the region to develop world-class attractions, including museums, and historical and educational centres. Such investments would help the region project its historic heritage to a wider international audience, as well as better informing local residents and visitors, and raising the international profile of the region as a major cultural destination.
- Lisbon is one of a small number of destinations across the world that can offer tourists water-based activities and attractions in close proximity to the city and its different urban attractions. The Tagus and the Sado rivers are seriously underutilized by the Lisbon and Setúbal authorities. There are currently few areas providing pedestrian walkways alongside the rivers, or offering easy access to water-based sports and other marine activities.

WTTC encourages the Portuguese Government and regional and municipal authorities to review the potential for Travel & Tourism activity along the Tagus and Sado rivers, as well as in Atlantic coastal areas, and to undertake a concerted investment programme in partnership with the private sector so as to tap the opportunities for urban regeneration along the entire river and sea coasts. The development of the Tagus riverside axis will in turn have a positive impact on plans that have been set out in Turismo de Lisboa's Strategic Plan for the development of three micro-centres connected by the riverside axis.

- Lisbon currently underutilizes the numerous nature parks across the region. Parks such as Sintra Cascais and the Arrábida offer significant potential for nature-based tourism.



WTTC believes that the Portuguese Government and regional authorities should identify and promote tourism investment possibilities for the areas offering the best growth potential in the Lisbon region, and more specifically in the city, as well as in Estoril, Cascais, Sintra, Sesimbra, on the Costa da Caparica and in Arrábida. Investment programmes should be developed over the next three to five years and should encompass urban regeneration, restoration and modernization, or more specifically:

- Restoring and upgrading some of the old historic buildings in order to convert them into:
 - Small and medium-sized four- or five-star boutique hotels; and
 - Other attractions such as museums, recreational and entertainment centres.
- Creating conditions for the development of:
 - Fashionable or ‘trendy’ districts with internationally branded retail outlets offering high-quality products, as well as districts offering particular cultural or architectural interest;
 - Areas set out for nighttime and daytime entertainment and leisure facilities, in which restaurants, bars, esplanades and cultural entertainment would predominate.
- Regenerating, and investing in, the river fronts, namely in the city of Lisbon between Belém and Santa Apolónia, and the sea fronts in the areas of Oeiras, Estoril, Cascais, Sesimbra, the Costa da Caparica and Arrábida.
- Creating an events brand for Lisbon. One activity in this regard could include a regular international festival with a theme linked to the sea and the oceans, as well as other cultural events that could play a strategic role in terms of setting the agenda, organizing the region’s tourism offer, boosting tourism demand, and building brand appeal at international level.
- The public authorities should consider public-private sector opportunities to promote the use of existing natural resources for Travel & Tourism. With careful management to ensure the protection and conservation of these spaces, the authorities should develop these nature parks and natural reserves as tourism attractions. This would help to attract new visitor segments to Lisbon, such as markets looking for nature-based and environmentally friendly tourism products. At the same time, specialist tourism products and itineraries, as well as other services, can be developed to meet the demands of this growing segment.



SATELLITE ACCOUNT

LISBON

	2002	2003	2004	2005	2006	2007	2017E
Travel & Tourism - € bn							
Personal Travel & Tourism	2.72	2.71	2.84	3.07	3.27	3.41	5.44
Business Travel & Tourism	0.46	0.46	0.48	0.52	0.56	0.58	0.89
Corporate	0.41	0.41	0.43	0.46	0.49	0.51	0.79
Government	0.05	0.05	0.06	0.06	0.06	0.07	0.10
Gov't Expenditures - Individual	0.19	0.20	0.24	0.25	0.28	0.28	0.36
Visitor Exports	1.95	1.91	2.29	2.37	2.84	3.25	7.32
Travel & Tourism Consumption	5.33	5.28	5.86	6.21	6.94	7.52	14.01
Gov't Expenditures - Collective	0.13	0.13	0.16	0.16	0.18	0.18	0.23
Capital Investment	1.63	1.17	1.21	1.20	1.20	1.24	2.16
Exports (Non-Visitor)	0.71	0.69	0.54	0.47	0.58	0.57	0.97
Travel & Tourism Demand	7.79	7.26	7.77	8.04	8.90	9.51	17.38
Travel & Tourism Industry Aggregates (Direct Impact Only)							
Employment ('000)	69.10	65.41	69.88	71.62	73.39	78.69	109.60
Gross Domestic Product	1.74	1.76	2.09	2.15	2.52	2.82	5.70
Travel & Tourism Economy Aggregates (Direct and Indirect Impacts)							
Employment ('000)	141.11	125.67	129.36	129.56	131.53	139.07	189.93
Gross Domestic Product	4.52	4.07	4.40	4.39	4.98	5.39	10.31
Travel & Tourism Accounts as % of National Accounts							
Personal Travel & Tourism	8.19	7.94	7.88	8.13	8.35	8.39	8.87
Gov't Expenditures	3.92	3.84	4.33	4.26	4.64	4.63	3.78
Capital Investment	13.96	11.33	11.33	11.33	11.33	11.33	11.33
Exports	21.15	19.47	21.49	20.50	22.37	23.67	29.69
T&T Imports	18.71	19.24	18.45	19.66	19.98	20.15	21.49
Travel & Tourism Industry Aggregates (Direct Impact Only)							
Employment	4.96	4.78	4.99	5.11	5.20	5.54	7.69
Gross Domestic Product	3.52	3.47	3.94	3.92	4.41	4.76	6.23
Travel & Tourism Economy Aggregates (Direct and Indirect Impacts)							
Employment	10.13	9.18	9.23	9.25	9.32	9.80	13.32
Gross Domestic Product	9.13	8.05	8.30	8.01	8.73	9.08	11.28
Travel & Tourism Real Growth (per annum except 2017 = 10-year annualized)							
Personal Travel & Tourism	3.79	-3.05	2.62	4.99	3.42	2.08	2.66
Business Travel & Tourism	3.49	-3.16	2.61	5.05	3.42	1.61	2.31
Gov't Expenditures	-4.99	-0.99	18.53	1.02	7.48	-0.89	0.45
Capital Investment	9.61	-30.33	1.71	-3.43	-2.92	0.83	3.60
Visitor Exports	-6.64	-4.90	17.55	0.26	16.58	12.02	6.26
Other Exports	15.28	-5.79	-23.32	-16.05	21.46	-3.63	3.33
Travel & Tourism Consumption	-0.62	-3.67	8.61	2.98	8.60	5.99	4.27
Travel & Tourism Demand	2.58	-9.38	4.66	0.62	7.60	4.52	4.06

TABLES

	2002	2003	2004	2005	2006	2007	2017E
Travel & Tourism Industry Aggregates (Direct Impact Only)							
Gross Domestic Product	-4.15	-1.98	16.36	-0.18	14.07	9.48	5.12
Employment	-5.04	-5.33	6.82	2.50	2.47	7.21	3.38
Travel & Tourism Economy Aggregates (Direct and Indirect Impact)							
Gross Domestic Product	3.25	-12.38	5.69	-3.08	10.34	5.78	4.55
Employment	-1.98	-10.94	2.93	0.15	1.52	5.73	3.18
Travel & Tourism - US\$ bn							
Personal Travel & Tourism	2.57	3.07	3.53	3.82	4.10	4.54	6.62
Business Travel & Tourism	0.44	0.52	0.60	0.65	0.70	0.77	1.09
Corporate	0.39	0.46	0.53	0.58	0.62	0.68	0.96
Government	0.05	0.06	0.07	0.08	0.08	0.09	0.13
Gov't Expenditures - Individual	0.18	0.22	0.30	0.31	0.35	0.37	0.44
Visitor Exports	1.84	2.16	2.85	2.94	3.56	4.33	8.90
Travel & Tourism Consumption	5.03	5.97	7.29	7.73	8.71	10.01	17.04
Gov't Expenditures - Collective	0.12	0.15	0.19	0.20	0.23	0.24	0.28
Capital Investment	0.65	0.78	1.09	1.10	1.35	1.60	2.70
Exports (Non-Visitor)	0.67	0.78	0.67	0.58	0.73	0.76	1.18
Travel & Tourism Demand	7.36	8.21	9.66	10.01	11.18	12.67	21.14
Travel & Tourism Industry Aggregates (Direct Impact Only)							
Employment ('000)	69.10	65.41	69.88	71.62	73.39	78.69	109.60
Gross Domestic Product	1.65	1.99	2.60	2.67	3.16	3.75	6.93
Travel & Tourism Economy Aggregates (Direct and Indirect Impacts)							
Employment ('000)	141.11	125.67	129.36	129.56	131.53	139.07	189.93
Gross Domestic Product	4.27	4.61	5.47	5.46	6.25	7.17	12.54
Travel & Tourism - 2000 Constant US\$ bn							
Personal Travel & Tourism	2.34	2.27	2.33	2.45	2.53	2.58	3.36
Business Travel & Tourism	0.40	0.39	0.40	0.42	0.43	0.44	0.55
Gov't Expenditures - Individual	0.17	0.17	0.20	0.20	0.21	0.21	0.22
Visitor Exports	1.68	1.60	1.88	1.88	2.20	2.46	4.52
Travel & Tourism Consumption	4.59	4.42	4.80	4.95	5.37	5.69	8.65
Gov't Expenditures - Collective	0.11	0.11	0.13	0.13	0.14	0.14	0.14
Capital Investment	1.40	0.98	0.99	0.96	0.93	0.94	1.34
Exports (Non-Visitor)	0.61	0.58	0.44	0.37	0.45	0.43	0.60
Travel & Tourism Demand	6.71	6.08	6.37	6.41	6.89	7.21	10.73
Gross Domestic Product							
Travel & Tourism Industry	1.50	1.47	1.71	1.71	1.95	2.14	3.52
Travel & Tourism Economy	3.89	3.41	3.61	3.50	3.86	4.08	6.37



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