



ENVISAGING PUBLIC–PRIVATE PARTNERSHIP IN TOURISM INDUSTRY

Fredy T. Louis

Ph.D Research Scholar (Tourism Management) Centre for Tourism & Hotel Management, Madurai Kamaraj University, Madurai - 21, Tamil Nadu, India

ABSTRACT

KEYWORDS:

Public Sectors, stakeholders, concept, WTO, Language Game,

Fostering a sort of Public-Private Partnership in the Tourism Industry is a novel and innovative conceptual frame work, which shall be mutually beneficial not only to both Public-Private sectors, but to all the stakeholders of the Industry also. Ingrained on certain integral approach, insisting on certain degree of structural partnership, PPP is meant for a long-term relationship between different stake-holders of Public and Private sectors. It is envisaged, that the very structural fabric of Tourism Industry supports private investment, while the Governments serves as the facilitator in the PPP ventures. Optimistically, this sort of business relationship, with proper planning, efficient management and quality service delivery may blossom into a successful relationships, which will ensure not only economic developments, but also fastor social harmony and peaceful understanding among nations across the continents.

INTRODUCTION

Public–private partnership (PPP) may be defined as a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.¹ *A Public–Private Partnership (PPP, 3P or P3)* is a cooperative arrangement between two or more public and private sectors, typically of a long-term nature.²

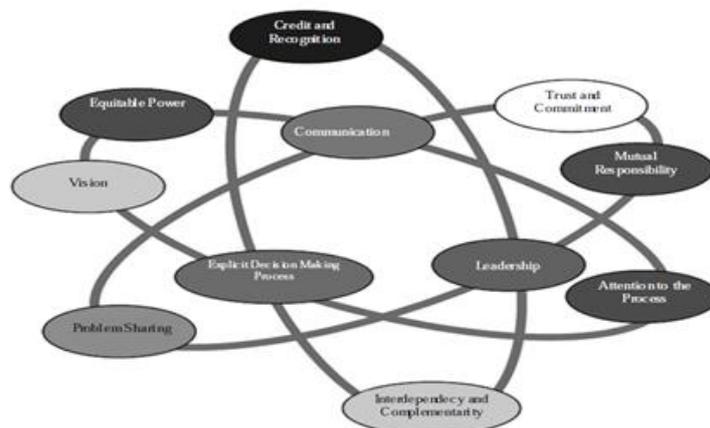
Defining Partnership?

Partnership aims towards few common goals or mutual benefits³, besides producing innovative policies which meet

initial needs and expectations.⁴ Partnerships are thus formed for several causes⁵.

WTO⁶ identified several reasons leading to a partnership. According to Spink and Merrill-Sands⁷. the success of a partnership, depends on a set of factors which includes i) strong vision ii) shared leadership, iii) approach to problem, iv) equitable power, v) interdependency vi) attention to the process, vii) communication links, (viii) explicit decision-making process, and trust besides commitment, credit and recognition. These elements are interdependent, as shown in the following figure.

Elements for a successful partnership



Concept of Public Private Partnership (PPP)

PPPs can be understood of both as a governance mechanism and a language game.⁸ As such this phrase can cover hundreds of different types of long term contracts with a wide range of risk allocations, funding arrangements and transparency requirements. The PPP concept as a brand is closely related to concepts such as privatization and the contracting out of government services.⁹ PPP may be regarded as a 'model of public procurement based on long term relationships between the government or other public bodies and the private sector for the delivery of the services. Thus this concept denotes an array of possible relationships established among Public and Private Sectors for the primary purpose of execution of infrastructural projects and such other services.¹⁰

NEED FOR INTEGRAL APPROACH

The formation of the PPP as a concept requires an integral approach. Khanom¹¹ expounds four different perceptions of PPP, which includes the concept of PPP as a tool of governance, tool of financial arrangement, tool of development process, and just as a language game. Hodge and Grieve perceive PPP as a tool of governance, which provides a novel approach to delivery of goods and services to citizens. Being a novel mode of governance and management, the focus in this perception is on the organizational aspect of the relationship.¹² The World Bank defines¹³ PPP as "*Joint initiatives of the public sector in conjunction with the private, for profit and not-for-profit sectors*", also referred to as the *government, business and civic organizations. In these partnerships, each of the actors contributes resources (finance, human, technical and intangibles, such as information or political support) and participates in the decision-making process.*

STRUCTURE OF PARTNERSHIP

This perception of PPP places the stress on the structure of partnership. One is the partnership for the implementation of the previously agreed objectives by the partners. Such objectives are usually conceived through the communication and negotiations. Further, the partnership aimed at undertaking activities to accomplish specific commitment. Each of the partners performs its role to overcome the weakness of the other partner. The peculiar feature of this conception is about the nature of the partners. It includes different community groups such as local government, Institutes of R&D (research and development), Community groups, NGOs in addition to the national government. Yet another perception about PPP is that it is a sort of critique on the use of the terminology

LANGUAGE GAME

The opponents of the privatization look at PPP as a language game about the back-door entry of the private sectors into the dominions of the public sector. Stern and Harding¹⁴ characterize PPP as a 'loose' term and Bovaird¹⁵ mentions it "just a fashionable word". It is alleged that PPP is just designed to cloud a strategy encouraging the private providers to supply public services at the expense of the public organizations. Grieve indicates the dangers that just like another catchy piece of terminology; the government would keep off the attention of the people and continue contracting of public services in the name of PPP.¹⁶ Thus, the term PPP has often been used to avoid the political controversy regarding the Privatization. Sometimes it is also been used to entice the partners for the benefits through the catchy words. Summarily, the term

PPP may be conceptualized drawing upon common features derived from in all of the above perceptions of PPP.

These may be enumerated as follows. (i) There exists collaborative activities and cooperation between partners. (ii) The public sector is involved in partnership with the private organization which include business houses, not-for profit bodies and development authorities as well as the international organizations. (iii) There is a commitment animated for the long term duration. (iv) All of the above features are related to the delivery of the specific goods or service. Clarity in the concept of PPP helps to devise the strategy on PPP. Strategically, the vision, directions, objectives, purposes, cooperation model, etc. of the proposed structure in the diversified environmental parameters requires proper formulation of PPP scheme. Unified terminology and implementation measures are required to be described.

COMMON THEMES OF PPP

Common themes of PPPs are the sharing of risk and the development of innovative, long-term relationships between the public and private sectors.¹⁷ The PPP phenomenon has been controversial. The lack of a shared understanding of what a PPP is makes the process of evaluating whether PPPs have been successful complex. Evidence of PPP performance in terms of efficiency, for example, is mixed and often unavailable.¹⁸ According to Weimer and Vining, "A P3 typically involves a private entity financing, constructing, or managing a project in return for a promised stream of payments directly from government or indirectly from users over the projected life of the project or some other specified period of time".¹⁹ Because they are directly responsible for a variety of activities, as indicated by Weimer and Vining, P3s can evolve into monopolies motivated by rent-seeking behavior(s).

STRENGTH OF TOURISM

Tourism is acknowledged as one of the most relevant economic and sociological phenomena of the present time. In this millennium, this sector constitutes a structural element of the dynamics of the global economy, since it has become established as one of the most important sectors worldwide.²⁰ The strategic positioning of peripheral regions may be achieved by identifying aggregated products, the establishment of public-private partnerships (PPPs) and the creation of networks.²¹ For over two decades, networking has been accepted as a very important factor of competitive advantage, for both regions and companies.²² Tourism is the fastest growing global economic driver in the 21st century.²³ Affiliate Members Report published by UNWTO and the Griffith Institute for Tourism (GIFT) Griffith University²⁴ explained that there are many forms of partnerships and some only involve the private sector.

However, developing tourism will often require the involvement of governments as they have control over essential resources such as public lands (i.e., beaches, mountains, national parks, and lakes) and also the responsibility for activities such as regional economic development, planning, security of borders, and social and environmental protection. PPPs bring together stakeholders with different objectives and skills, and resources in a formal or informal voluntary partnership to improve the attractiveness of a regional destination, its productivity, associated market efficiency, and the overall management of tourism. Further the Affiliate Members of this report²⁵ felt that PPPs bring together

stakeholders with different objectives and skills, and resources in a formal or informal voluntary partnership to improve the attractiveness of a regional destination, its productivity, associated market efficiency, and the overall management of tourism. It also insisted that PPPs are important, and often vital, elements in the establishment of tourism-based initiatives and the improvement of the market competitiveness of destinations. To sustain and accelerate higher economic growth rate, the State needs to build, upgrade and modernize its infrastructure.

TOOL FOR EFFICIENCY

Today public-private partnership has emerged as a vital tool to build, manage and operate infrastructure services efficiently. Thus it is a system in which a government service or private business venture is funded and operated through a partnership of government and one or more private sector companies. Strategic planning for the private sector can be made difficult in the absence of input from the public sector. For example, in respect of the latter's strategic plans for developing access roads and sewerage facilities. Alliances between the private and public sectors are particularly attractive in destination marketing, for there is usually a congruence of objectives between the two sectors-attracting more tourists can benefit not only the narrow financial objectives of tourism operators, but also the more diverse social objectives of the public sector. Thus, of late, there has been an increasing recognition of their value in tourism marketing.

ENCOURAGING PRIVATE INVESTMENT

Governments sought to encourage private investment in infrastructure, initially on the basis of accounting fallacies related to the fact that public accounts did not distinguish between current and capital expenditure. Although the idea that private provision of infrastructure represented a way of providing infrastructure at no cost to the public has now been generally abandoned, and interest in alternatives to the standard model of public procurement persisted. In particular, it has been argued that models involving an enhanced role for the private sector, with a single private sector organization

taking responsibility for most aspects of service provisions for a given project, could yield an improved allocation of risk, while maintaining public accountability for essential aspects of service provision.

GOVT - A FACILILATOR

The role of the government is evolving from that of owner and sole provider, to that of a facilitator and regulator. In this capacity, the emphasis of government is on safeguarding the interests of the vulnerable segments of the community through effective legal and institutional frameworks. The Guidelines for formulation, appraisal and approval of public partnership projects articulate the need for 'due diligence' in the formulation, appraisal and approval of Public Private Partnership (PPP) projects of the Government. Unlike private projects where prices are generally determined competitively and Government resources are not involved, PPP infrastructure projects typically involve transfer of public assets, delegation of governmental authority for recovery of user charges, private control of monopolistic services and sharing of risks and contingent liabilities by the Government. In some types of PPP, the government uses tax revenue to provide capital for investment, with operations run jointly with the private sector or under contract.

THE ADVANTAGE AND FLEXIBILITY

Private sector participation could help to bring technical and managerial expertise, improve operating efficiency, large scale injection of capital, greater efficiency in using the capital. The *public-partner* priorities societal needs (e.g., cohesion and integration). Public authorities have a high interest in establishing PPPs to reduce the (financial) risks in large infrastructure projects as well as public financing volume. The objective of public authorities of PPP is therefore to allocate risk between the public and the private sectors according to each party's ability to manage and bear each risk. This means that a PPP should be flexible in distributing risks, including the problem of project ownership where private participation can be in other structures than taking partial or total ownership of projects, e.g., via a participation in the capital investment programmes or by sharing in the cost risk and/or the revenue risk.

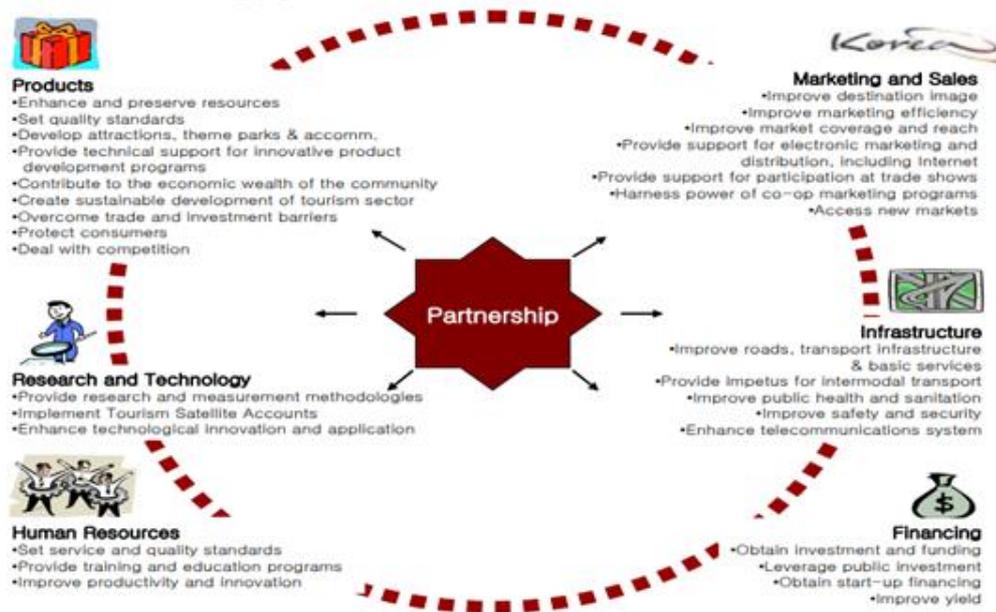


Source: Eddy Declercq²⁶

TOURISM SECTOR AND PPP

Zapata and Hall²⁷ provide us with four reasons for the growth of public private partnerships in tourism. Primarily, Partnerships in destination management is a form of outsourcing of services which has emerged as an outcome of new effective forms of public administration. Second, the state, is increasingly adopting the "relational interventionist model" and is assuming the role of initiator and convener of collaborative arrangements that encourage the participation

of the tourist industry in policy-making. Third, reduced public funding due to the deregulation processes have resulted in the privatization of functions and services previously provided by the government. Finally, the characteristic fragmentation and the high interdependency of the tourism industry encourages the intensification of inter-organizational relationships, which often lead to formal tourism partnerships.

Illustration Chart for PPP:²⁸**FOR SUCCESSFUL RELATIONSHIP**

The key to any successful partnership, however, is the recognition that the partnership is a business relationship wherein the partners share the risks, rewards and responsibility for the success or failure of the initiative.²⁹ This is not to say that the partners want or seek the same benefits. For the public sector, a partnership with the private sector can bring:

- Access to new sources of capital;
- Accelerated development of infrastructure assets;
- Risk sharing opportunities;
- Maintenance or improvement of service levels;
- Access to skills in planning, management and service delivery;
- Realization of the value of under-utilized assets; and
- Greater value from economic development opportunities.

PUBLIC PRIVATE PARTNERSHIP IN TOURISM

Over the past 50 years the travel and tourism industry has experienced phenomenal growth to become one of the most dominating socioeconomic activities at the beginning of the 21st Century. It is a major creator of jobs across national and regional economies.³⁰ Research based on simulated Tourism Satellite Accounting for 160 countries in the year 2000, illustrated that the direct and indirect impacts of travel and tourism were estimated to contribute Gross Domestic Product of US\$3,575 billion. This represents 10.8 per cent of the total worldwide.³¹ In employment terms, it was estimated in the year 2000 that travel and tourism generates 192 million jobs around the world, across all industry sectors, which represents 8 per cent of total employment.³² It is expected that tourism will continue to expand and grow significantly over the next two decades.³³

In the year 2000 alone, international trips increased by nearly 50 million, bringing the total number of international arrivals to a record 698 million.³⁴ Global tourism is growing at an annual rate of 7%. It is still difficult to accurately quantify the number of domestic tourists, but researchers estimate there are approximately 5 times as many domestic as international tourists.³⁵ A whole range of different services and products in both the source market and destination, are dependent on, create and shape the travel and tourism industry. What makes tourism distinct is that people often travel far distances to reach the product. It is a complex and highly integrated activity, reaching the upstream suppliers (i.e. aircraft manufacturers or food producers) and downstream services (i.e. retail shops).³⁶ This is also known as the 'flow-on' or the 'multiplier' effect of tourism.³⁷ A whole range of stakeholders from both the private and public sector participate in the tourism system. Stakeholders in the tourism industry are shown in the Table.³⁸

USE OF RESOURCES**Supply side**

- Those whose resources are used – e.g. government bodies such as parks and wildlife, galleries, museums, heritage sites, traditional landowners .
- Those who deliver the product – e.g. tourism operator such as airlines, hotels, restaurants, attractions, tour operators.
- Those who manage destinations – e.g. tourism commissions.
- Those who provide infrastructure – e.g. roads, building, water supply, waste disposal.

Demand side (those who use the product – tourists) -

- International , b. Domestic

Stakeholders in the Tourism Industry

	Category	Examples
Supply Side	Resource owners	Traditional landholders
	Resource managers	National park managers
	Providers of infrastructure	Construction, design, power, gas, water, waste treatment
	Planners & development control	Government authorities
	Deliverers of product	Enterprise operators – hotels, airlines, airports, hire cares, attractions, tour operators, travel agents, farm stays, convention centers, restaurants, museums, sporting events
	Destination developers & marketers	Tourism commissions, government
	Employees	Managers, hospitality, planning, communication, ICT, finance, construction
Demand Side	Tourists	Domestic and international – e.g. package holidays, ecotourists, business travelers, backpackers, visiting friends and relatives, events, conferences, cultural tourism

TOURISM: A CATALYST

The travel and tourism industry has the ability to create and spread wealth, employment and innovation from urban to rural and regional areas, while acting as a catalyst to the development of other economic activities.³⁹ Importantly, tourism is a catalyst of entrepreneurship and small businesses. Tourism however is more than an economic activity and an industry; it is inherently interrelated with culture and environment.⁴⁰ It is a universal, dynamic, social and cultural phenomenon, touching all countries of the world and affecting their people, culture and environments.⁴¹ Tourism’s interconnection of people and their environment, means that its long-term survival depends on sustainable tourism developments that foster healthy and vibrant natural and cultural environments. As a result of travel and tourism’s diverse nature, it is also a highly fragmented industry.

COORDINATION REQUIRED

Therefore, the long-term survival of the industry also depends on coordinated action between different sectors. This is both challenging and important in order to achieve a more sustainable industry. It demands that further development should be guided by greater dialogue, co-operation and partnerships between the public and private sectors.⁴²

This is not to say that sustainable tourism development cannot result from partnerships within the one sector. Collaboration between various stakeholders however does allow for more successful tourism planning, management, marketing, product development, training and education.⁴³

It may be **Concluded** that to achieve responsible tourism planning and management outcomes, partnerships must be holistic in outlook and based on sustainable development principles, and exist at the national, provincial and importantly at local levels.⁴⁴ The process of collaboration and partnership is a key element for planning and managing natural and cultural assets/products. Partnerships are at the core of sustainable development and sustainable tourism.⁴⁵ It is a universal fact that tourism plays a paramount economic role in countries around the world. If properly planned and managed effectively it, can significantly contribute to sustainable socioeconomic development and environmental conservation. By experiencing different cultures and traditions, tourism can also represent contributive force for peace and understanding among peoples of the world.⁴⁶

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