

To cite this article please use:

Seetaram. N. (2016), "Introduction" *Tourism Economics, Special Issue: Tourism and Transport*, 22(1), pp 203-206.

ECONOMICS OF TOURISM AND TRANSPORT: AN INTRODUCTION

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ECONOMICS OF TOURISM AND TRANSPORT: AN INTRODUCTION

Transportation is an essential component of the tourism system (Leiper, 1990). This system which is made up of several activities creates products to satisfy the need of the tourists (Graham et al. 2008). Transportation is vital in this process as it connects the origin to the destination (Page, 2009) making destinations highly dependent on the availability of this service. According to Lamb and Davidson (1996) the quality of the transport network in place, is an important factor influencing the choice of destination and it is argued that adequate and efficient transport networks act as catalysts in the growth and development of the destination. In return, booming destinations stimulate investment in transportation networks (Forsyth, 2006; Prideaux 2000). Conversely, inadequate transport networks deter tourists from visiting a destination which result in negative effect on its competitiveness and potential for growth (Prideaux 2000). Page (2009) stipulates that the relationship between transport and tourism is more complex.

He suggests that there is a need to create a framework that encourage '*our understanding of how tourists interact with transport, the process and factors involved and their effect on the travel component of the overall tourism experience*' (Page 2009, pp. 18). Lumsdon and Page (2004) explain that from the perspective of the tourists, transportation serves two key purposes. The first which the authors label as *transport for tourism*, is the situation whereby transportation is only a means to an end. It has no intrinsic value and for the tourist it is merely an enabler. It is the economic cost that is borne by the tourist (Gray, 1966) to enable them derive utility by consuming the sought after tourism product(s). Demand for transportation therefore, is derived from the demand for the tourism products that destinations offer. On the other hand, the travel itself can hold intrinsic values for the tourists, making it the focal element of the tourism product (Lumsdon and Page, 2004). Examples include luxury cruises and trips on heritage trains such as the Orient Express. Lumsdon and Page (2004) refer to this type of travel as *transport as tourism*. In this case, demand for travel ceases to be a derived demand and utility is obtained from the travel itself. Expenditure on the travel then, is the price paid for the tourism product rather than merely the travel cost, although travel cost will most likely be incurred to reach to the point of embarkation. In spite of the obvious synergies between tourism and transport, until quite recently the economic literature on the two has been bifurcated.

The literature on transport economics which, is generally solidly grounded in microeconomic theory, defines the consumer as any user of transport services and does not distinguish between the everyday commuter and the tourist. Studies on consumer analysis in this case, often examine the demand for different modes of travel and the degree of complementarity and substitutability of these modes. They estimate the value of time of passengers and study the effect and cost of congestion on modal choice and time valuation. Other important aspects of transportation research look into the supply side of the market, investigating returns on investment in transport related infrastructure, time valuation by firms and the cost of providing optimal level of services, productivity, pricing and the competitive behaviour of firms under different market structures, and the analysis of the markets of freights and cargoes. These themes are pertinent to air transportation, which is a significant sector of the transport industry.

Air transportation is crucial to tourism in many ways, one of the most important being linking origins to islands and remote destinations. The underpinning research on the airline industry covers studies on changes in economic policies and their effect on market outcomes. Topics researched are consumer behaviour, the effects of air liberalisation and regulations on the airline industry, congestion pricing, effectiveness of hubs, valuation of slots for airlines, benchmarking and market competition. For an overview of research in these areas see Czerny et al. (2008) and Gillen et al. (2013). More recently the success of the business model of low cost carriers has attracted the attention of researchers, which has yielded a number of articles on consumer behaviour in the low cost market, including attitudes towards service quality and punctuality. On the supply side, studies on the degree of competition in the market and the reaction of full service airlines have prevailed. The climate change debate and the eventual consequence for the transportation industry for example, the inclusion of the transport sector in emission trading schemes and mitigating policies targeting the transport sector has meant that environmental sustainability of this industry is fast becoming a dynamic area of research.

The bulk of the research in tourism economics on the other hand, can be broadly categorised into two: tourism demand analysis and the economic contribution and impact of the industry. Other areas of research in tourism economics which are growing include supply side analysis, market failure and investigations of niche markets. The research on linkages between tourism and transport are starting to gain momentum as it is increasingly being recognised that issues

pertaining to the transportation sector, especially to airlines can spill over to the tourism industry. For example, Forsyth (2006) discussed the effect of air liberalisation and the potential impact on destinations and more recently, Seetaram, Song and Page (2014) studied the likely to effect of air passenger duty, an air travel tax, on outbound tourism demand from the UK.

Typically, the transportation aspect of research in tourism economics is dealt with in tourism demand literature. Authors treat transportation as a cost which hinders demand. It is accounted for by the inclusion of proxies for transport in standard tourism demand models with the aim to compute transport elasticities, which measure the responsiveness of demand to changes in cost of travel (Seetaram, 2010). A few authors have looked into the effect of investment in airport and other transport related investment on consumer demand and satisfaction (Seetanah and Khadaroo, 2008). However, recent trends suggest that tourism economists are putting more emphasis on issues pertaining to transportation. The aim of this special focus issue is to provide a platform for dissemination of findings of studies that combines elements of tourism and transportation economics.

In the first paper, Martin, Marrero-Rodríguez, Pedro Moreira Román and Santana demonstrate that the choice of transport has a high influence the quality of the visitors' experience at the World Heritage City of San Cristobal de La Laguna, Canary Island. Chen, Neuts, Nijkamp and Liu focussed on the cruise market. They use the nexus of motivation, preference, and intention to analyse drivers of demand. They identify the motivation behind taking cruises by comparing four markets: Mainland China, Hong Kong, Taiwan, and Japan and they conclude that while the primary motives for all markets are 'escaping' and 'learning', important regional differences exist. The theme of consumer demand continues to run through the next two papers. Eugenio-Martin, who investigates the outcome of the expansion of the Malaga Airport in Spain, finds that the new terminal building and runway, has a positive effect on the demand patterns for international arrivals to the destination.

Ferrer-Rosell, Coenders, Mateu-Figueras and Pawlowsky-Glahn study demand in a different context. Here, in the first instant the authors analyse micro level data of tourism expenditure using a novel approach to determine the factors influencing absolute expenditure on transportation. In the second step, they analyse the relative importance of this expenditure compared to the budget share of other items constituting the tourism spending. They find that characteristics such as travel group size, age, income and professional status is important in

determining the absolute expenditure on transport. However, the characteristics which influence the budget share of transportation are education, income, country of residence, travel group and professional status. The authors include passengers of low cost airlines only. Moreno-Izquierdo, Ramón-Rodríguez and Perles-Ribes who also investigate low cost airlines, examine the supply side of the market. They analyse the pricing strategies of low cost airlines, operating on routes in the UK and Spain using the Porter model. They find that high levels of concentration and advance purchase of fares are the most important components explaining the price dispersion in these routes.

Pricing and competition is central in the paper by Abrate, Viglia, García and Forgas-Coll, who study the competitive behaviour of high-speed trains and airlines in a dynamic context. They provide an explanation of simultaneous price adjustments by firms in the short run taking into account intramodal and intermodal price competition on the Rome – Milan route. The data reveal asymmetric responses between the two modes of transport. Airline companies are found to display higher reactions to changes in the price of the competitors than the high-speed trains. Furthermore, it is observed that traditional carriers have independent pricing strategies while low cost airlines, consider the tactics of full service airlines when taking decisions regarding airfares. In the last paper, Zou, Meng, Li, Zhang and Ren, develop an assessment index of international tourism hubs using 49 indicators and apply the Analytical Hierarchy Process to determine the relative importance of each indicator used.

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