

The impacts of terrorism on uk tourism tourism essay



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Chapter 4:

4. 1 Introduction:

Terrorism is the biggest threat to UK economy and also documented to have biggest threat on tourism industry demand. This chapter focuses on the short term impacts on UK tourism and related industries demand after September 11 2001 terrorist attacks on New York and July 7 2005 terrorist attacks on London. The studies show that, these attacks caused big shock to tourists' attitudes to travel toward UK destinations and also change the image profile of tourist destinations in UK, especially London. Moreover, this chapter will also find that some UK destinations (like London) experienced strong negative impacts on the attractiveness and image for short term than others.

4. 2 Targeting the Tourists:

Tourism industry represents a significant contribution to UK economy. The past decade terrorist attacks caused significantly decline in foreign exchange receipts, it also increase government costs and gain political advantages over UK government officials (Hall and O Sullivan 1996). These terrorist attacks have changed the tourists' perception to travel UK and they preferred to go safer destinations to enjoy their holidays. According to Keenan Steve (2003), UK tourists receipts dropped by 12. 9 % as the result of September 11, 2001 terrorist attacks (Table 1). The Maley J. (2006) report, after London bombing tourists frightened away from Capital's major tourist attractions. The National Gallery had 15. 2%, Tate Modern, London Eye had 12% and London tower 9. 7% fewer tourists than last year. As Hall and O

Sullivan (1996) said, the tourism is a symbol of capitalism for an economy. Attacking the tourism industry means, attacking the government policies and in this way terrorists strengthening themselves against government by making the government look weak.

Table 1: International Tourists Arrivals in UK after September 11 2001

MONTH / QUARTER

UNITED

KINGDOM

%

COUNT

CHANGE

JANUARY

255, 140

5. 2

FEBRUARY

307, 587

-5. 8

MARCH

370, 319

0. 4

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1ST QUARTER

933, 046

-0. 5

APRIL

418, 837

-11. 9

MAY

359, 168

-5. 9

JUNE

354, 505

-6. 4

2ND QUARTER

1, 132, 510

-8. 4

JULY

410, 208

-4. 1

AUGUST

415, 076

0. 6

SEPTEMBER

317, 035

-31. 1

3RD QUARTER

1, 142, 319

-12. 1

OCTOBER

330, 791

-26. 3

NOVEMBER

275, 931

-31. 5

DECEMBER

282, 661

-25. 1

4TH QUARTER

889, 383

-27. 6

Year-To-Date Average

4, 097, 258

-12. 9

Source: http://tinet. ita. doc. gov/view/m-2001-l-001/table_5. html

Different scholars have defined and explain terrorists objectives in different ways and most scholars have agreed that terrorists gain their objectives by targeting people. Richter and Waugh (1986) said that, terrorists' goals can be classified as revolutionary, sub-revolutionary or anti-government. For closer examination several other objectives emerge. Firstly, targeting tourists help terrorists groups to achieve their strategic aim and objectives by creating fear in people, destabilizing the economy and gaining the media attention. Targeting local and international tourists provide platform to terrorists with the advantage by gaining free international publicity and disrupting local tourism industry. Richter and Waugh also said that the terrorists can travel with other travellers and carry out big foreign currencies financial transactions without arousing suspicion.

Over the past decade, the international tourism has become very popular. Terrorists have recognised the importance of tourism industry in economies. As a result, they had demonstrated by number of attacks on tourists. When international tourists involved in terrorist attacks, media coverage is

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guarantee and media keep these incidents alive for weeks and months. According to Weimann and Winn (1994), media coverage make terrorists hero and amplify their messages to enhance their moral legitimacy. By targeting tourists, terrorist groups' main objectives are to secure the media attention. It is a modern tact for terrorists to keep themselves alive in local and international media news for weeks. When international tourists killed or kidnapped, the whole situation is instantaneously dramatized by local and international media, which can cause political conflict between establishment and terrorists. Terrorists achieve their objectives, when media increase its rating or circulation.

The Second major objective of terrorists is to achieve their ideological objectives by targeting tourists, which can cause clashing cultures, values and socioeconomic levels. Terrorists target tourists for their symbolic values. The July 7 2005 London bombing was the prime example of terrorist attack on world famous tourist destination and cultural city. The bombing on public transport killed over 50 passengers including some foreigners. In this incident, terrorists targeted public transport to create uncertainty and cultural differences between different communities in UK. The major impact was on UK government foreign relation with foreigner tourist's countries and accused (terrorists) countries. The foreigner tourists' countries are demanding justices for their innocent civilian killing and UK government is demanding from accused countries to take strict measures to control terrorism. The conflict between different communities and countries resulting from clashing values and cultures was aptly demonstrated in past few years after terrorist attacks.

The tourism literature demonstrates that, tourism can be medium of communication as well as the message initiated by terrorists. Terrorist's violence against tourism industry fuelling political, socioeconomic, religious and cost effective instrument used to deliver broader message as opposition. In either case, the terrorists aim to target tourist is not coincidental and for terrorists, tourism industry is high profile, symbolism and free publicity which not to be left unexploited.

4. 3 Levels of analysis:

The economic impact of terrorism on UK tourism can be calculated from number of ways. There are direct costs to the industry and indirect costs to responding these events. The cost can be calculated in number of ways, for example, how much money would be lost in any productive work if we stand up in a line for an extra hour every time, we flew or travel for security checks etc. In past the economist experts have tried to calculate the economic impacts of terrorism on UK tourism for Years. They agreed that, the terrorist attacks have both short and long term impact on the tourism industry. The short term impacts are psychological factors (for example fear of flying, uncertainty), and long term impacts are decline economic performance, spending on war on terrorism (both cause unemployment and loss of earning) and long time to recover the tourism industry long term down cycle.

4. 4 Effects of terrorism on UK tourism:

There are number of studies that show economic impacts of terrorism on the tourism industry. The studies of IMF 2001, Hobjin 2002 and Navarro and Spencer 2001 concluded that the direct cost on tourism demand (output) seems relatively small and short term. Terrorist attacks do reduce the <https://assignbuster.com/the-impacts-of-terrorism-on-uk-tourism-tourism-essay/>

economic growth, although the estimated impacts are smaller than the cost of internal conflict. When September 11, 2001 and July 7, 2005 terrorist events happened, it effected UK tourism industry both directly and indirectly and disrupted the whole UK economic process. To make the impacts of their activities stronger, terrorist groups targeted airline industry, local transport system, tourism destinations, public areas and other businesses. But, travel and tourism industries were the prime and attractive target for terrorist groups in past decade. Because, these industries presence is everywhere and their aftermaths are deeper on society and on the economics.

4. 5 Direct Effect of Terrorism on UK Tourism and Related Industries:

The tourism industry generates huge economic benefits for the UK economy. The main economic benefits of tourism are foreign exchange earning reserve, employment, tax revenue and business development opportunities etc. According to the world tourism organization report, “ tourism is one of the top five export categories and source of foreign exchange earnings for many countries”. For UK economy tourism is one of the biggest sources of foreign exchange earning. This foreign exchange can be used to import goods needed for other economic sectors. Tax revenue receipts by HMRC from tourism industry can be divided into direct and indirect receipts. Direct receipts are the taxes on income earned by workers and businesses. The indirect tax receipts are the duties levied (VAT) on goods and services purchased by tourists in UK.

In past few years, UK tourism industry has been through a very difficult period. It failed to keep up with global arrivals growth, after September 11
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2001 terrorist attacks, outbreak of foot and mouth disease in 2002 and July 7 2005 London bombing. The September 11 2001 terrorist attacks have biggest impact on UK international tourists' arrival and airline industry (Graph 1). UK tourism industry is heavily dependent on air transport for tourists' arrival. After September 11 2001 terrorist attacks people were hesitate to travel on aeroplanes, because the terrorist threatened to hijack the plans. These threats shocked the UK tourism industry. After 2001 terrorist attacks and 2002 foot and mouth disease shock wave, UK tourism industry started recovering its position. In 2004 UK tourism industry reached its peak and 27. 7 million tourists arrived in UK during this year. They spend over £13 billion in UK economy directly and indirectly. Further growth in tourism industry was forecasted for coming year, and in first six months of 2005 UK tourism industry boomed and hit the forecast target but July 7, 2005 bombing thwarted the tourism industry again. According to LCCL (2005) report, in first three weeks of July 7 terrorist attacks, UK tourism industry lost in excess of £300 million.

Graph 1: Impact on International Arrivals in UK

Source: British Tourism Framework Review

4. 5A Impact on Airline industry:

Direct effects of terrorism have instantaneous effects on the tourism and related industries. Airline industry is one of those industries. Many travellers were fearful of travelling after September 11, 2001 terrorist attacks, because terrorist threats to target airlines. These threats caused huge decline in air travel passengers, as a result number of European and US airlines cut back

number of flights and some airlines carriers went completely out of business (Swiss Air, metro jet) for couple of days (Lennon and Leary 2007). Before September 11 2001 the airline industry was already under pressure of surplus capacity. According to Francis and Humphreys (2001), at the end of October 2001, BAA Plc (Owner of London's main airports) reported that World trade centre attacks have broad impacts on UK air traffic. The worst effected route was Trans Atlantic traffic route. It was reported that almost one million passengers declined in October 2001 at Heathrow airport, of which more than half million were Trans Atlantic routes passengers.

Because, the Heathrow airport is the world most important long haul international travel destination. While the short or local haul traffic demand was down by 11 percent compare to previous year. July 7, 2005 terrorist attacks were direct attacks on London Local bus and train networks. As a result the London underground train services were suspended for couple of days and transport companies lost millions of pounds. This loss was the direct damages and declined in the number of passengers travel toward London due to security reasons and fear of more terrorist attacks. The airline industry also had severe impacts of London bombing, because for the short time period many tourists and travellers cancelled their flights and holidays.

4. 5B Increase in Security Cost to tourism & related industries:

The latest terrorist attacks on London caused new and tightened security measures at hotels, entertainment centres, bus and train stations, airports, sports stadiums and tourists destinations. Some of these security measures are deployment of more security personnel on airports, historical places and

city centres, installation of better screening system on airports and other public areas to scan and examine travellers and their baggage, more random checks of passengers, installation of surveillance cameras to monitor suspicious people activities. All these security measures have caused big increase in cost to government departments and businesses; as a result they increase their products and services prices and all burdens goes to end user of the products and services, which may be tourists.

4. 5C Impact on tourism related Jobs:

Terrorism crises cost many jobs in UK and rest of the world. According to Travel trade Gazette (2002) report, “ The World Travel and Tourism Council estimated that over 10 million travel jobs were lost worldwide after to September 11 2001 terrorist attacks”. In United Kingdom, just in October 2001 tourism revenue declined by 25 percent, as compare to the last year, as a result thousands jobs were lost in London (Travel trade Gazette 2002). According to Riley O. (2002), in just three months after September 11 incident, it was announced, that UK tourism industry total loss were over £600 million in revenue. In first two months, over three thousand hotels and other related businesses workers lost their jobs in UK. July 7, 2005 was the direct attacks on London, as a result London tourism declined and thousands of people engaged in tourism and tourism related industries lost their jobs. In past couple of years UK tourism industry was generating over 10 billion pounds a year and provides employment more than half a million people in the London city of more than 7 million people, which represent 10 percent of population.

4. 5D Impact on Hotel Industry:

The UK tourism and hotel industries are growing side by side and UK hotel industry is highly depending on tourists. The hotel industry performance in Europe suffered badly after September 11 2001 terrorist attacks. The UK hotel industry was booming before September 11 2001 terrorist attacks, because hotels in London which rely on tourism industry and high end US business were most exposed. According to Travel Research International Ltd (2001) report, just in September 2001 over 25 percent London hotel industry revenue declined. Based on preliminary information available, the hotel occupancy rates for the rest of the year are forecast to be 65 to 75 percent, compared with 81 percent in 2000 (Graph 2). After September 11 2001 international hotel chain Hilton Group has reduced its capital expenditure budget from £150 million to £75 million in response to decline in entire hotels chain revenues. In first two months there was a 10.7 percent fall in Hilton hotels chain revenues. Many hotels in all UK cities suffered from lack of American business, five star hotels in London down by 32 percent and four stars hotel by 15 percent.

The UK hotel industry had suffered badly after July 7 2005 terrorist attacks on London. Data from PKF Accountants and business advisers (2005) shows that, the London hotel occupancy down by 4.9% on the same month last year. Outside London regional hotel showed .7% fall in occupancy.

According to Monaghan G. (2005), UK hotel and travel industry stocks including TUI, AG and Hilton Group Plc slumped by July 7 2005 London bombing, which hurt the city's tourism industry. The FTSE 350 shows that hotels and leisure index dropped by 5.8 percent; it was the biggest decline

in Leisure and hotels index since September 11 2001 terrorist attacks. UK tourism industry had been recovering from three year slump in industry followed by September 2001 attacks and UK tour operators was receiving a boost from London win a bid to host the Olympics in 2012. Expert said due to tourism boom about 75 percent London hotel rooms were occupied between 2004 to June 2005. Soon after July 7 0005 terrorist attacks on London hotels occupancy declined down to 65 percent, as a result of decline in tourists (Graph 2). The share prices of Hilton group and Inter Continental Hotel Group Plc slumped to 7. 2 and 6. 4 percent respectively.

Graph 2: Hotel Occupancy in UK after September 11 & July 7 Attacks

Source: PKF, Deloitte and TRI Consulting Press releases

4. 5E Impact on Sports Tourism:

During the week of terrorist attacks on London, all major sporting events in the London and other cities were cancelled and postponed for the future dates, because of security concerns. These included football matches, local cricket league matches etc. Thousands sport fans travel from abroad to attend sport events had cancelled their trips. The local sport fans from other UK cities had also cancelled their trips toward London to attend sports events. Each attendee spends an average of £100 to £150 for admission, food, accommodation, parking and miscellaneous items. After July 7 2005 terrorist attacks many sport tourists had cancelled their trips to attend events or changes their mind to travel to London. Many months later after attacks sport tourists were still hesitating to travel London attend sports events for safety and security reasons.

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4. 5F Impact on Travel toward the UK Destinations:

September 11 terrorist attacks not only impact on US travel and tourism, UK was also curtailed. Many countries issued warning to travellers to avoid countries such as US and UK, because of more threats of terrorist attacks. As a result, Great Britain saw over 25% declines in tourism revenue in September and October 2001 as compared to the previous year. July 7 2005 London bombing also adds fuel to the fire. Several thousands tourists were cancelled their vacation plans and business trips to the UK and other Europeans countries. Many UK tourists also cancelled or postponed their holidays within the UK and many hesitate to travel toward London. As a result, hospitality industry in UK had lost millions of pounds in revenue.

4. 5G Impact on Tourists Safety, Attitudes and Beliefs:

Tourists always prefer their safety before they travel. Terrorist attacks on London city 2005 and New York 2001 had very strong affects on the UK tourism industry, because it was a big challenge to the tourists' security beliefs. When tourists travel, they do not want to expose any hazards. The safety is the main concern for them. The terrorist attacks are the biggest threat to travellers and tourists personal safety, which reduce the travellers propensity to travel. The September 11 2001 attacks clearly demonstrate the tourism industry and Sonmez S. (1998) said that tourists substitute risky destinations with safer choices, demonstrate a delayed reaction to terrorism and exhibit cultural differences in their reactions to risk or threat. As a result many tourists had switched their holidays toward safer destinations in other countries.

4. 5H Impact on Tourism and Travel Services Suppliers:

The travel services suppliers are operating in very comparative market and at very thin margins are vulnerable to any decline in demand. Tour operators and travel agents in UK were already under growing pressure from direct sell methods between customers and service suppliers. The impact of September 11 2001 terrorist attacks had weakened the airline and related industries and July 7 2005 terrorist attacks on London had made matters worse. The difference is that, these suppliers have less rigidity than the airline and related industries; hence contractions in size and closures are likely to be permanent.

The tour operators and travel agents in UK have been hit particularly hard by terrorist attacks. According to the Association of British Travel Agents report, after September 11 2001 terrorist attacks, the number of agents closing has increased, compared to the same period last year, because decline in air travel tourists demand. The UK tourism mainly depends on air travel and for survival many travel agents were cutting costs by shedding staff. Just Thomas Cook had announced 1500 job cut, which was representing 12% of its workforce. Many months after the terrorist attacks UK tour operators reported that, booking are not improving, tourists and holiday makers are hesitate to travel toward UK. Although holidays packages were being discounted and booking were offered at short notice. The UK tour operators were reported to reduce there capacity by 20 % for coming summer, although Association of British Travel Agents forecasted that booking will fall by only 5% in next summer.

4. 5I Impact on Tourists Spending Pattern:

The Tourism industry Emergency Response group reported, that the spending by overseas tourist in UK is likely to decline by 300 million as a result of July 7 2005 bombing. The decline in tourism spending generates negative impact on UK total spending and employment pattern. The direct impacts of July 7 2005 terrorist attacks were many tourists cancel or postponed their trips to UK because of their safety. The effects of cancellation and decisions not to travel cost UK tourism industry huge losses, which contributes 4 percent to UK GDP that represent \$2. 1 trillion. Just London accounts 50 percent of total UK tourism industry of foreign tourist revenue alone and provide gateway for tourist travelling to other UK cities.

4. 6 Indirect Effect:

4. 6A Change in tourists demand heterogeneously:

While the indirect effects of terrorism on UK tourism industry include prominent decrease in tourism demand after terrorist attacks and many months after these terrorist attacks foreign tourists were still hesitating to travel toward UK destinations. Many tourists permanently switched to other world famous tourists destinations. The decline of tourists demand also compels UK authorities towards the new policies and their immediate implementation, with the aim to minimise long term impact on tourism demand. According to Loewenstein et al (2001) the indirect effect contains fall in tourist's demand, which may interrupt or disconnect the industry demand. It is evident that UK tourism industry operates according to the demand of overseas and local tourists. The above discussed terrorist attacks

are infecting a widespread of common fear of individuals which in results decline in tourism demand.

4. 6B Change in Tourists Behaviour:

According to Sunstein (2003) the asperity of those adverse cases detect to which level these events are painful and emotionally attach towards the memory of individuals. Janis and Feshbach (1953), fear is a specific mental state, it appear with the surety of non availability of security or when there are predictions of more incidents in future. More over it is obvious the tourists get some kind of impact from continuous state of fear from terrorism. Czinkota M. R. (2005) said that economic research also has roots in correlation among behaviour and emotion. The negative emotions like state of fear definitely affect tourists travelling behaviour. Leventhal (1970) narrates that excessive fear of terrorism is look out of control for tourism market. Sunstein (2003) said, the terrifying effects of terrorism, tourists over estimate its occurrence in certain ways. The behaviour of over re-acting about terrorist attacks fear traces people to make demand of extra improvement in remedies from authorities and government. This kind of tourist's behaviour also had strong impacts on tourism industry.

4. 6C Long Term unplanned expenses:

The terrorism caused major decline in all UK economic sectors, which results the huge reduction in long term profits in all type of industries. Tourism sector is one those economic sectors which had direct and indirect impacts. The decline in tourists demand after terrorist attacks to travel toward UK destinations caused big reduction in long term profit of tourism and related industries. To bring back tourists and to recover its position, UK tour <https://assignbuster.com/the-impacts-of-terrorism-on-uk-tourism-tourism-essay/>

operators were offering special offers to tourists, like reduction in holiday packages, travelling packages, hotel packages etc. All these price cuts results tourism industry has to face un-planned expenses and reduction in revenue, which was the indirect impact on tourism sector.

4. 6D Impact on Tourist Destinations Image:

The UK tourism industry is very popular in overseas tourists, because there are number of places of interest throughout the Great Britain including museums, castles, stately homes, royal palaces, theme parks, Zoos, art galleries, gardens and many more historic places. The image importance of UK tourism industry can be viewed as it is sixth largest destination in the world (over 190 countries). This reputation and image took years to build but past decade terrorist attacks pointed many fingers toward it stability. The UK tourism had suffered largely due to derogatory history of terrorism in London and other main cities in past. The July 7 2005 terrorist attacks added fuel to the fire. For short time many overseas tourists cancelled their holidays due to more terrorist attacks fear, which had direct and indirect impact on image brand on UK tourism industry. After these terrorist attacks UK tourism industry image brand took months to recover in tourists mind.

4. 6E Impacts of Government Regulations on Tourism:

Czinkota et al (2004) said that there may be need of making of policies, laws, and regulations for public in reaction of these terrorist attacks. While determine to improve security conditions, these regulations cause delays in efficient tourism industry operations. According to Sustain (2003) these government regulations sometimes does not help really in growth of

economy and tourism industry, also effect negatively. These new polices of <https://assignbuster.com/the-impacts-of-terrorism-on-uk-tourism-tourism-essay/>

checking tourists and their languages imposed on airports, sea ports and train stations cause more trouble to tourists, increase security cost, time wastage and also decrease the efficiency.

4. 6F Impact of Foreign Polices on Tourism:

The way foreign relations alter because terrorism is not predictable and it is mixed blessing in so far foreign policy concerned. Terrorism unites the nations as well as separates them. The nations unite on common agenda of tackling terrorism and break with forever due to it. The foreign relations of different countries are based on co-operation and mutual interest of governments. Terrorism causes misunderstanding and disruption between countries. Once confidence or relationship between countries is broken, it never revives or takes very long time to build the same and strong relation again. Both countries government could be right and wrong at the same time. The country accused of the terrorism sometimes may not be in a position to control the terrorism and on the other side target country cannot believe that accused country is taking strong action against terrorists or sometimes believe that accused country is sponsoring the terrorist to achieve their interest against target country.

Terrorism has become major issue in the UK foreign relations, especially after July 7 2005 terrorist attacks. It also has changed the style and direction of UK foreign polices. Now it is the first and most important thing to consider before entering into any agreement of mutual benefits. UK government has introduced new and striker polices for many countries visitors and travellers due to week foreign relation of those countries. These polices have

discouraged many tourists to travel toward UK because of strict visa rules, security checks and questions at airports etc.

4. 7 Summary:

Terrorism affects tourism activities deeply, this threat compel almost both local and international tourists, which cause decline in the revenue and profit of tourism and related industries. On the other side, the whole UK economy has to bear the cost of every single act of terrorism. It is the responsibility of UK government to develop and make polices to tackle the terrorist threats. The government is also liable for making such kind of policies and regulations that give some relaxation to overseas tourists to enjoy their travel and holidays in UK. This may help UK tourism industry to reduce its losses.