

## AID FOR TOURIST ENTERPRISES

A previous audit which was completed in 2000 evaluated the state's tourism policy. An additional audit was considered necessary to evaluate the use of public funds, with attention being focused on aid for tourist enterprises under the Ministry of Trade and Industry. The audit investigated the following questions:

- How have development needs in the industry been taken into consideration in aid?
- How has the supposedly poor use of capacity utilization in the tourist field been taken into consideration in aid?
- How has the need to balance seasonal fluctuations been taken into consideration in aid?

In 1995-99 a total of FIM 166 million in aid for tourist enterprises was granted under the Ministry of Trade and Industry. This signified an average of FIM 33 million a year. By far the largest amount of money went to Lapland, which accounted for over half the total during this period.

### Information base

Accommodation statistics are used as the main indicator in developing tourism. A considerable and probably growing part of tourism is not covered by statistics, however, depending on the area and tourist group. The information base is supplemented to some extent with research results.

The audit indicated that officials do not have enough and sufficiently reliable information concerning the effects of aid on the development of tourism, tourism employment, enterprises' competitiveness etc. Studies and barometers suggest that other things have had a much greater influence on the development of tourism and tourist enterprises than public aid. The State Audit Office considers it important for the Ministry of Trade and Industry to make sure that the information base is adequate.

### Policy as a tool in directing aid

The Government's decision in principle concerning policy in the tourist field does not contain priorities, stands or lines for developing the content of tourism in the near future. In the opinion of the State Audit Office, the decision should be supplemented in this respect. Otherwise it will have a smaller directing effect than can reasonably be expected.

The decision in principle is also administration-centred. In the opinion of the State Audit Office, the decision should more clearly reflect its business policy objective and the industry's responsibility in developing the field.

According to the decision in principle, tourism has created 98,000 year-round, full-time jobs. In reality some 300,000 persons are employed in full- or part-time work which has been translated into jobs. In order for the decision to give a correct picture of the effects of tourism on employment, this fact should be made clear in the decision.

### Seasonal nature of tourism

Seasonal fluctuations are one of the worst problems for enterprises and workers in the tourist field. They also weaken possibilities to use tourism as a regional development tool.

The audit indicated that balancing seasonal fluctuations should be given greater weight in national policy in the tourist field and that this problem should be addressed with more effective means than at present.

### Focusing of aid

The audit estimated that investments accounted for nearly FIM 130 million or about 75% of total aid for tourist enterprises. The objective stated in legislation is to focus aid on immaterial development activities. This objective was not achieved to a very large extent in the tourist field.

Accommodation services received 48% of aid for tourist enterprises, while recreation, culture and sports received one-third of the total and transport (including travel agencies) 14%. Aid mainly supported investments and additional capacity in accommodation, restaurant and programme services. Enterprises also upgraded existing ca-

capacity to some extent, improving service quality and competitiveness.

In the accommodation and restaurant field capacity has constantly been under-utilized in Finland as a whole, and with regard to accommodation the development of capacity utilization has also been weak in Lapland. The amount of capacity and capacity utilization in the programme field can only be estimated. Experts have noted that the problem in this field is the lack of innovations, however. The field keeps on repeating itself and this can lead to distorted price competition and the production of over-capacity with public aid.

In granting aid there has also been pressure to develop different tourist centres in a "balanced" way. In the opinion of the State Audit Office, the large share of aid which goes to investments involves the risk of supporting over-capacity.

The audit indicated that enterprises have appreciated the search for foreign market areas and that aid has also been directed primarily at international markets.

Aid policy has reflected the basic idea in policy lines that the state should treat and promote the tourist industry as a growing export field. This has been justified on the grounds that foreign customers are more affluent and spend much more money than domestic customers and that they make possible new, innovative projects. Nights of accommodation have indeed increased at a clearly faster rate for foreigners than for domestic tourists. In Lapland the number of domestic nights of accommodation has actually declined. In the audit has been drawn the conclusion that foreign demand in the tourist field has been increased partly at the expense of domestic demand.

Aid for tourist enterprises has especially supported the development of winter tourism, which has in fact increased at a faster rate than summer tourism. In Lapland the popularity of summer tourism and nights of accommodation in the summer have declined. Both enterprises and administration have recently noted the need to stimulate summer tourism.

In the opinion of the State Audit Office, development and aid policy in the tourist field has been inappropriate and expensive in some respects. While foreign demand and winter tourism have been promoted and supported, sufficient attention has not been paid to domestic demand and maintaining and increasing summer tourism in Lapland.