

## THE INVOLVEMENT OF THE PUBLIC AND PRIVATE SECTOR – ELEMENTS WITH INFLUENCE ON TRAVEL & TOURISM DEMAND DURING THE CRISIS PERIOD

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Review

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### Abstract

In the context of the economic crisis, the consumers' behavior registered changes, so tourists have become highly price sensitive and tending to economize on the duration of their holidays. Starting with the changes generated by the economic crisis, the need to achieve a new economic level is felt both in the public sector through the development and consolidation of new public policies and also in the private sector through the involvement into solid plans, with adapted initiatives. *The purpose* of this paper is to capture the impact of the public and private sectors involvement on the Travel& Tourism (T& T) demand during the current economic crisis, the period 2008-2010. As *design*, the content is divided into three main parts, as follows: the perspectives of public and private sector on T& T industry, the impact of the economic crisis on T& T, and the econometric analysis which is concentrated on the connection between the T& T demand and some potential variables with impact on it. The *methodology* refers mainly to the econometric analysis, constructed in concordance with the *findings* of the paper. In order to test the link between the variables, the author uses the macroeconomic *approach*, by including into analysis the European Union member countries. Regarding *originality*, the paper reveals the positive influence, as real growth, of the T& T Direct Industry in GDP and the capital investment in T& T on the T& T demand.

**Keywords** Public sector, Private sector, Travel& Tourism demand, Global economic crisis

### INTRODUCTION

Transport, accommodation, catering, recreation and services for visitors are component elements of the Travel& Tourism (T& T) industry. From the point of view of the private actor the T& T implies mostly hotels, airlines and travel agencies and restaurants. Regarding the involvement of the public sector in tourism it can be noticed that is acting at national, regional and local level. The tourism activity is mainly sustained by the private initiative, but the government plays a key role in developing the tourism industry.

The economic environment affects tourism organizations in two ways, the first one generates changes in the demand for an organization's products and the second way implies changes that may affect an organization's costs. The key macroeconomic factors affecting demand for travel and tourism products are: customer's expenditure, export demand, investment demand and government expenditure. (Tribe 1999, 177) It

is known that the main determinants of the customer's expenditure are real disposable income, interest rates, expectations and savings ratio. The economic environment will affect an organization's export demand in two main ways: the first implies that the exchange rate will affect the overseas price of exports and the second is represented by the level of economic growth in countries which are markets for an organization's products. The determinants of investment demand are the customers' expenditure, expectations, amount of spare capacity and interest rates. The level of government expenditure tends to reflect two aspects, as the state of the economy and the political party in power. The key macroeconomic factors affecting costs of leisure and tourism products are mainly interest rate, inflation, the exchange rate and indirect taxes.

This paper is structured in three main parts and has the purpose to present the impact of the public and private sectors involvement on the Travel& Tourism demand during the current economic crisis, the period 2008-2010. The first part presents a short review of the literature concerning the public and private sector, particular for T& T. Main aspects of the global economic crisis in T& T are highlighted in section 2, in order to be aware of the events that took place during the crisis period. The last part of the paper implies a correlation analysis, among the 27 member and 3 candidate countries of the European Union (EU), between the real growth of T& T demand and three variables, such as capital investment in T& T, government expenditure in T&T and T&T Direct Industry in Gross Domestic Product (GDP).

## **1. PUBLIC AND PRIVATE SECTOR – INVOLVEMENT IN TRAVEL& TOURISM INDUSTRY<sup>1</sup>**

### **1.1. The role of the public sector in Travel& Tourism**

The state has a major role in controlling and supervising tourism and in some situations, even, facilitates it. The state interferes in restraining undesirable growth or unfair competition, or generates demand by improving infrastructures or encouraging hotel construction. In addition, governments play a very important attention on maintaining quality standards and protecting tourists against business malpractice or failure.

A national government's role in tourism can have different directions, such as:

- The planning and facilitating of tourism, including the provision of financial and other aid,
- The supervision and control of the component sectors of the tourism industry,
- Direct ownership and operation of components of the industry,
- The promotion of the nation and its tourist products to home and overseas markets,
- Supporting key tourism interests in a time of financial crisis.

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<sup>1</sup> Adapted from Balalia A.E. , *Cooperation between the public and private sector- key element for travel & tourism in the context of the global economic crisis*, published in the Conference Proceedings of the 20th Biennial International Congress "Tourism & Hospitality Industry 2010" – "New trends in tourism and hospitality management", 6-8 May 2010, Opatija, Croatia, pp. 1-16

In order to assess the level of demand or potential demand to a particular region, to estimate the resources required and to determine how these resources should best be distributed is necessary to follow a tourism planning made by the public sector. The government policy on taxation can have an impact on tourism, depending on the situation, whether the taxes are applied directly to tourism (such as an entry or exit tax), to the industry (e.g. tax on hotel accommodation) or indirectly (e.g. VAT or sales taxes which benefit lower taxation countries). Another important factor that determines tourism flow is the attitude of nationals of the host country towards visitors. The persons that come into contact with visitors are trained to be polite and friendly, because the first impression is important for long-term image-building of a country.

The tourism investment from the public sector perspective could have different financing sources, such as the supranational level, represented by the EU, the national level, represented by the ministers in charge, and the local government. The public sector investment may be in buildings and land, such as parks, leisure centers and museums, in plant and machinery, such as playground apparatus, computerized booking systems and canal lock equipment and in infrastructure.

### **1.2. The role of the private sector in Travel& Tourism**

Private sector is involved in the T&T area by offering support services, such as: guiding services, travel insurance and finance services, travel trade press, marketing support services, guide and timetable publications, private education and training establishments, private ports/ port services.

The private sector's involvement in T&T is mainly profit driven. When the risks are seen as too great, private investors or public sector leaders frequently initiate efforts to form partnerships between private investors, governments, foundations, and even pension fund organizations to partially pay the costs of building an amenity. The investments by the public or nonprofit partners reduce the risks for the private sector and help to insure profitability of the project and market-rate returns to private capital. In some instances the public and nonprofit sector partners are asked to finance the capital costs associated with both the tourist amenity and related facilities (hotels, restaurants, etc.).

## **2. THE FOOTPRINT OF THE ECONOMIC CRISIS ON TRAVEL& TOURISM**

As the holiday demand is driven by needs, motives, and expectations, its realization depends on the individual economic situation and the freedom to travel (Martin 2004). Like any demand, tourism demand is influenced by various factors, Martin (2004) presenting the new demand factors from two perspectives. One refers to "classical" factors influencing the demand like the motivation to travel and the ability to travel, directly or indirectly; these factors covering a wide range from the general economic situation, over politics to technological innovations. The other refers to emerging factors, such as the changing face of consumer behavior in tourism like destinations preferences, quality expectations, booking behavior etc. Summarizing, the author

presents a series of categories of factors affecting tourism demand, factors that are linked to each other: economy, politics (e.g. the enlargement of the EU, taxation, environment), crisis and threats (e.g. terrorism, epidemic diseases, earth quakes), demographic change (e.g. age structure, migration, educational level), technology (e.g. transport, communication, information), influences coming from general changes in consumer attitudes and, the tourism industry itself (Martin 2004). Thus, it can be appreciated that one factor affecting tourism demand is the recent economic and financial crisis of unprecedented dimensions.

The fact that T&T involves discretionary expense represents one of the main reasons for tourism vulnerability to economic uncertainty and volatility. During tough economic times people conserve their cash to cover the essentials of life, food, home and family necessities. The trend in tourism from past crises whether we refer to past economic crises or the global tourism scare resulting from the events of 9/11 is that people continue to travel but they will travel differently from the way they do during times of economic buoyancy.

According to Tourism Economics (2010), the recession that began in 2008 was a bit hardest in 2009, affecting travel demand at every level. International tourist arrivals declined at a rate of 8% between January and February 2009, leaving the overall volume at the same level as recorded in 2007. At the same time, influenza A (H1N1) affected the T&T sector. In order to diminish the impact of the economic crisis on T&T, many countries developed stimulus measures within their fiscal and monetary packages, realizing that the sector can be a key driver of economic recovery. Some destinations reduced taxes and improved travel facilitation during the year 2009, recognizing that it was crucial to remove all obstacles to tourism, especially taxation and over regulation. Others have developed financial systems to support tourism enterprises, maintain/increase employment in the sector and develop infrastructure.<sup>2</sup>

Developing an econometrical analysis on five source markets (Australia, Canada, the USA, Japan and the Euro zone), based on OLS and ECM approaches for the time series 1978-2008, Smeral (2009) highlighted that tourism has taken a bad battering from the global recession; its recovery being quite slow in comparison to other branches because of the high unemployment rates, of the fact that tight consumer budgets will be first spent on necessary consumer goods, of the fact that higher taxes and reduced public spending will limit consumer expenditures, etc. But, according to an analysis of the European Cities Marketing (2010) conducted on a representative sample of European cities, the European city tourism market has experienced a surprisingly fast recover in visitors flow beginning in the second half of 2009. While the first six months of 2009 were characterized by a continuous decline in bed nights, starting with July, the city tourism industry started to face a steady growth, reaching 6.6% in the last month of 2009. Dieter Hardt-Stremayr, President of European Cities Marketing states that "European city tourism recovers from the economic crisis faster than other areas"; the cities with the most bed nights and arrivals in 2009 being London, Paris, Berlin, Rome and Madrid. In what concerns individual markets, the German market decreased by 2.3% in 2009, the United Kingdom source market of bed night continued its decline in

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<sup>2</sup> UNWTO, "World tourism in the face of the global economic crisis", Madrid, Spain, 12 May 2009.

2009 (decrease by 14.2%), the French market increased by 3.8 % in 2009 and the Italian market increased by 2% in the same year. (European Cities Marketing, 2010) In what concerns Romania, January 2009 represented a decrease of 10.6% in the incomings into the receiving structures or of 16.2% in the number of staying overnights. Also, in the first semester of 2009, both arrivals and staying overnight in structures of tourists reception with functions of tourists accommodation registered drops of 14.4% and 17.7% compared with the same period from the previous year. (Săseanu et al. 2010). In Romania, according to Mazilu, Avram, and Ispas (2010), the number of foreign tourists decreased by about 14% in the first seven months of 2009. Out of the 4.3 million foreign tourists, only half have stayed more than one day, while many Romanians have decided to give up spending holidays in the country.

The economic and financial crisis outlined by decline in exports and industrial production, emphasized by unemployment increase and consumer confidence decrease, had a negative influence on tourism (Smeral, 2009). The mentioned crisis affected tourism industry at global level, manifesting its influences through the fact that the fall of expenditures was much stronger than the decline of arrivals, through the fact that domestic and near foreign destinations were suffering considerably less than long distance destinations, or through the fact that business travel suffered more than leisure travel, and city tourism suffered under a strong demand fall (Smeral, 2009). Also, this situation determined a change in tourism consumer behavior. Tourists have become highly price sensitive, tending to economize on the duration of their stay, scale back their expenditures per night and to sacrifice secondary holidays. Also a new reorientation towards accommodations with cooking possibilities has been developed; during crisis period, an increase in demand for such types of accommodation being registered. Also, a new trend has arisen, namely last minute booking; tourists tending to book in the last moment.

Because there are always winners and losers in any outbreak of economic volatility, those travel and tourism businesses which can adapt will survive and indeed thrive in the months ahead. Those T&T businesses which can adapt to offer services to travelers on a tighter budget will do well. The demand for the luxury end of the market is likely to decrease while demand for either low cost or perceived good value products and services is likely to grow. Airlines and hotels especially need to rapidly adapt to this trend. (Balalia and Petrescu 2009)

After mentioning about the involvement of the private and public sectors in T&T and the impact of the economic crisis on T& T demand, in the following section it will be presented a correlation analysis with indicators that have influence on the T&T demand. There are taken into study the member and candidate countries at the European Union level and it is used the World Travel and Tourism Council data base.

### **3. POTENTIAL VARIABLES ACTING ON TRAVEL& TOURISM DEMAND-ECONOMETRICAL ANALYSIS**

#### **3.1. Methodology**

The countries included in the following analysis are the 27 member and the 3 candidate states of the UE. The data used in this analysis is making reference to the year 2008, 2009, 2010 and can be found on the World Travel and Tourism Council web site. In the section Economic Data Search could be used a tool in order to collect the necessary information corresponding to the selected countries. The available data is referring to the Travel& Tourism Economy/ Direct Industry Gross Domestic Product (GDP), T& T Economy/ Direct Industry Employment, T& T Demand, Visitor Exports, Capital investment, Government T& T Expenditure and others. The variables that are taken into consideration for the present paper analysis are: the real growth of T& T Demand, T&T Direct Industry Gross Domestic Product, the capital investment in T&T and the government expenditure in T&T, all expressed in percentage.

T&T Demand represents the aggregation of all T&T spending within the economy (ie the sum of personal, business, government, investment, visitor export and other export Travel & Tourism spending). The T&T Direct Industry Gross Domestic Product captures the value added of the traditional T&T industries, including only the direct impact of the T& T industry to the GDP. Capital investment includes fixed capital expenditures by direct T&T industry service providers and government agencies to provide facilities, equipment and infrastructure to visitors. Government T&T expenditures (collective) includes operating expenditures made by the government agencies on services associated with T& T, but not directly linked to any individual visitor, instead these expenditures are generally made on behalf of the “community at large”, such as tourism promotion, aviation, administration, security services and resort area sanitation services. ([www.wttc.org](http://www.wttc.org))

The meanings of the notations used in the present analysis are: “demand” which is the real growth (%) of T&T demand (endogenous variable), “gdpi” is the notation for the real growth of T&T Direct Industry in Gross Domestic Product (exogenous variable); “inv” stands for the capital investment in T&T (exogenous variable); “exp” represents the government T&T expenditures (exogenous variable).

In the following section of the paper the four elements mentioned above will be analyzed taking into consideration data series for year 2008, 2009 and 2010 which reflects the situation during the global economic crisis.

#### **3.2. Descriptive analysis of the indicators**

From the synthesis table presented below (Table 1) it can be observed that the medium value of the real growth of T&T Demand of member and candidate countries of the European Union varied during the crisis period from a positive to a negative value, the median value having the same trend, specifying that the lowest value is registered in 2009. The maximum value in 2008 is registered by Romania, with a percentage of 11,7, Estonia being positioned on the opposite side, with a -7,5%. The real growth of

T&T demand experienced a maximum within the year 2009 at the level of 2,8%, associated with Luxembourg. This latter position, with the same percentage, was assumed by Hungary in the year 2010. Latvia was the country that registered the lowest level concerning the real growth of T& T demand both in year 2009 and 2010. The skewness has a positive value in 2008 comparing with the next two years when there are obtained negative values, meaning that the tail on the left side of the probability density function is longer than the right side and the bulk of the values are positioned to the right of the mean. The kurtosis records values around 3 and above meaning that the data series are leptokurtic, more precisely there are greater chance of extreme outcomes compared to a normal distribution.

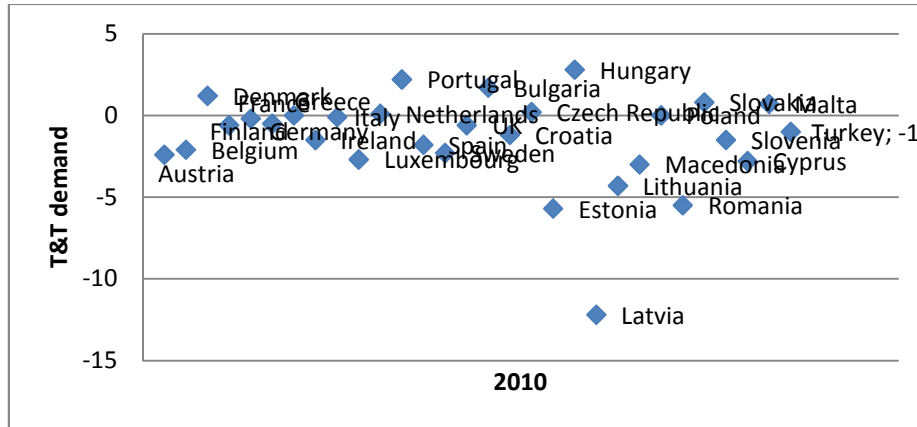
Table 1: Descriptive statistics of the real growth (%) of T&T demand

Sample 1 30			
Observations 30	Series: DEMAND_2008	Series: DEMAND_2009	Series: DEMAND_2010
Mean	0.943333	-10.09667	-1.410000
Median	0.150000	-8.850000	-0.800000
Maximum	11.70000	2.800000	2.800000
Minimum	-7.500000	-28.00000	-12.20000
Std. Dev.	4.497485	7.512403	2.873224
Skewness	0.592160	-0.817723	-1.818391
Kurtosis	2.926252	3.551659	7.825968
Jarque-Bera	1.760068	3.723761	45.64519
Probability	0.414769	0.155380	0.000000

Source: obtained from processing the data available on [www.wttc.org](http://www.wttc.org)

The country that is registering the highest value of the real growth of demand corresponding to the year 2010 is Hungary, maybe because of the accessible prices of tourism services. At a slightly distance from Hungary are positioned Portugal and Bulgaria, with a difference of 0.6%, respectively 0.9% of real growth in T&T demand. Most of the countries are positioned between the interval 0%- (- 4%) of T&T demand, such as United Kingdom, Belgium, Netherlands, Croatia. Among the countries that have the lowest level of demand it can be mentioned Lithuania, Romania, Estonia and Latvia, with a contribution below -4%. (Graph 1)

Graph 1: **The distribution of member and candidate countries of the European Union depending on the real growth of T&T demand in 2010**



Source: obtained from processing the data available on [www.wttc.org](http://www.wttc.org)

Extracting information from the table 2 it can be observed that the medium value registered among the member and candidate countries of the European Union for the real growth of T&T Industry in GDP follows the same descending trend as demand. In this respect, in year 2008 the maximum value is registered by Latvia, being substituted in 2009 by Sweden and in the following year with Denmark. The date series is relatively heterogeneous taking into consideration the value of standard deviation which registers a fairly large value compared to the mean. The skewness has the value above 0 and consequently the distribution of the series is right-skewed, oriented to positive values.

Table 2: **Descriptive statistics of the real growth (%) of the T&T Direct Industry in Gross Domestic Product**

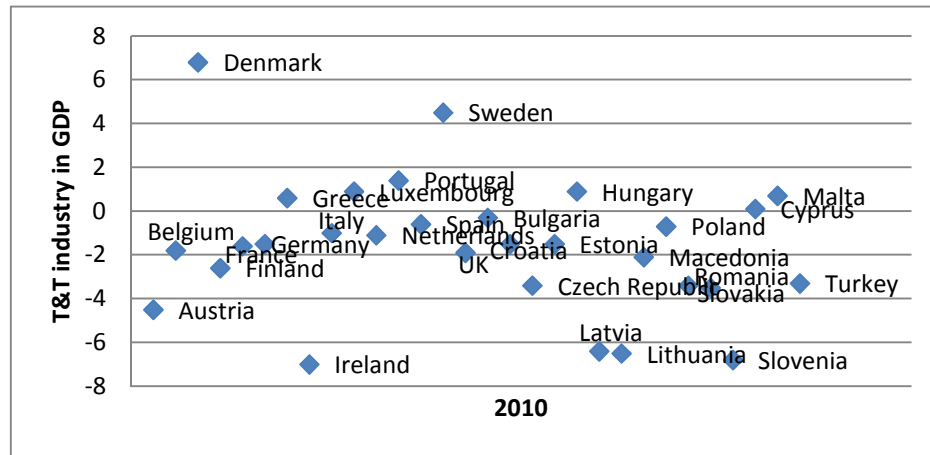
	GDPI_2008	GDPI_2009	GDPI_2010
Mean	1.313333	-2.066667	-1.570000
Median	0.800000	-2.300000	-1.500000
Maximum	16.30000	13.90000	6.800000
Minimum	-14.00000	-13.70000	-7.000000
Std. Dev.	6.360261	7.301787	3.064946
Skewness	0.005473	0.412759	0.377763
Kurtosis	3.392999	2.449862	3.780070
Jarque-Bera	0.193210	1.230166	1.474160
Probability	0.907915	0.540596	0.478509

Source: obtained from processing the data available on [www.wttc.org](http://www.wttc.org)



It can be observed (Graph 2) that the countries that experienced in 2010 the lowest real growth of the T&T industry in GDP are Ireland, Slovenia, Lithuania, Latvia, with a level below (-6%). Related with the same variable, Sweden represents the second country, after Denmark, which benefited in 2010 of a favorable position among the members and candidates of EU.

Graph 2: **The distribution of member and candidate countries of the European Union depending on the real growth of the T&T Direct Industry in Gross Domestic Product (year 2010)**



Regarding the real growth of T&T Capital Investment it can be seen (table 3) that the mean in 2008 has a positive value, in contradiction with the year 2009, when was registered a visible decrease. An improvement can be noticed in the year 2010, but still with value under 0. Also in this case the kurtosis records variability having values below 3, in the case of the year 2008, when the data series are leptokurtic, on the opposite side being positioned the year 2009 and 2010 with a leptokurtic aspect of the data series.

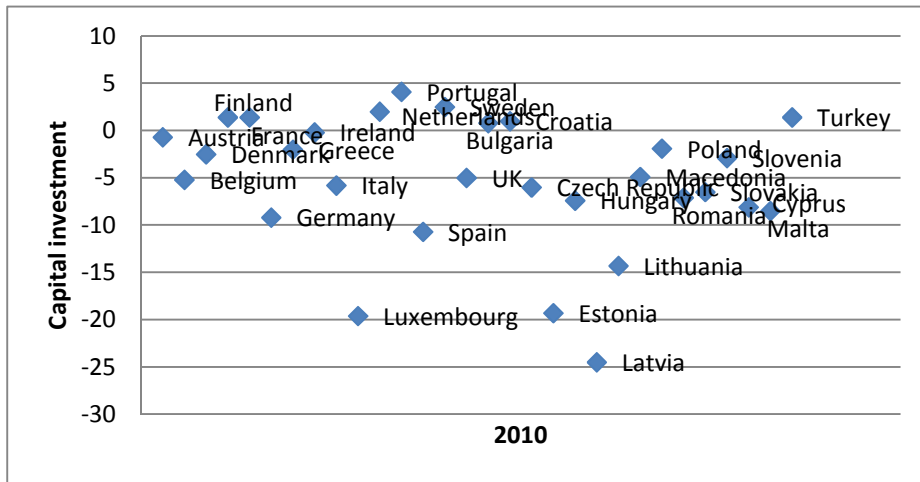
Table 3: **Descriptive statistics of the real growth (%) of the T&T Capital Investment**

	INV_2008	INV_2009	INV_2010
Mean	0.980000	-15.22333	-5.256667
Median	-0.700000	-13.70000	-4.950000
Maximum	29.40000	17.00000	4.100000
Minimum	-20.70000	-50.10000	-24.50000
Std. Dev.	14.14570	13.57639	6.997275
Skewness	0.525369	-0.356311	-1.078367
Kurtosis	2.436323	3.767986	3.729045
Jarque-Bera	1.777230	1.372042	6.478757
Probability	0.411225	0.503576	0.039188

Source: obtained from processing the data available on [www.wttc.org](http://www.wttc.org)

If in the year 2009, Luxembourg was positioned on the top level of the rank; in 2010 was the turn of Portugal to register the maximum value of real growth in T&T Capital Investment. Sweden is position, as in the case of the previous indicator, on a second position. Most of the countries are situated in the interval of (-10%) - 0%, such as Romania.

Graph 3: **The distribution of member and candidate countries of the European Union depending on the real growth of the T&T Capital Investment (year 2010)**



Source: obtained from processing the data available on [www.wttc.org](http://www.wttc.org)

During all the three years the mean of the real growth of government expenditure for T& T is positive, but with a descending rhythm. In the year 2010, Italy, Denmark and Malta are the countries associated with the median value. The skewness registers a value next to 0 and below it and as a consequence the distribution of the series is left-skewed, oriented to negative values. (Table 4)

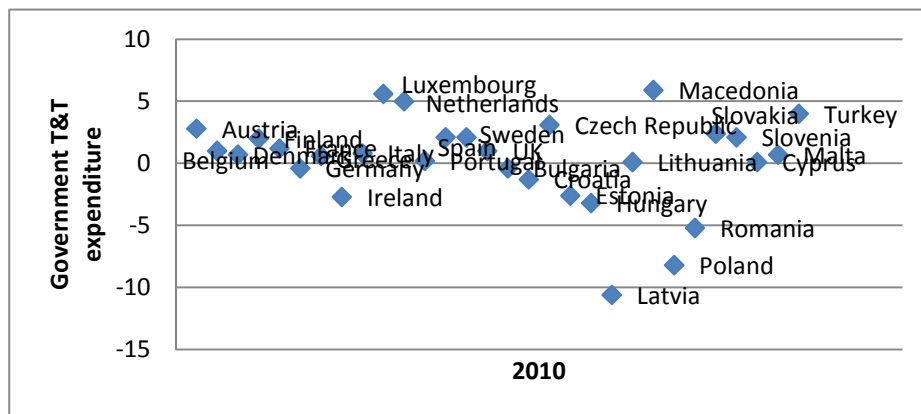
Table 4: **Descriptive statistics of the real growth (%) of the government expenditure for T&T**

	EXP_2008	EXP_2009	EXP_2010
Mean	4.313333	1.796667	0.296667
Median	3.200000	2.450000	0.750000
Maximum	15.00000	9.400000	5.900000
Minimum	-6.200000	-7.900000	-10.60000
Std. Dev.	4.668732	4.036940	3.635978
Skewness	0.489330	-0.584735	-1.182611
Kurtosis	3.184067	2.880057	4.724294
Jarque-Bera	1.239570	1.727558	10.70934
Probability	0.538060	0.421566	0.004726

Source: obtained from processing the data available on [www.wttc.org](http://www.wttc.org)

Concerning the real growth of government expenditure for T& T per country, Macedonia is the leader among the studied countries, which is followed on the second place by Luxembourg. Considering Croatia, it can be observed that is positioned in the section (-2%)- 0%, higher than Romania, corresponding to the interval (-6%)-(-4%). (Graph 4)

Graph 4: **The distribution of member and candidate countries at the European Union depending on the real growth of the government expenditure for T&T (year 2010)**



Source: obtained from processing the data available on [www.wttc.org](http://www.wttc.org)

After describing the indicators that are part of the model, the regression model associated with the year 2010 is presented in the following section.

### 3.3. The multiple regression model

The real growth of T& T demand is influenced of different factors, some of them essentials, others with a less significant influence. The present paper presents the analysis of connection between the DEMAND\_2010 with the GDPI\_2010, INV\_2010 and EXP\_2010, by the application of The Least Squares Method (LSM). This analysis reflects the situation in tourism during the year 2010, by using data from the World Travel& Tourism Council.

The proposed multiple regression model has the following equation:  
 $DEMAND_{2010} = a + b \cdot GDPI_{2010} + c \cdot INV_{2010} + d \cdot EXP_{2010} + \varepsilon$

a, b, c, d= the model parameters, that have to be estimated;  $\varepsilon$ = residual value

The formulation of the hypothesis:

- 1) For the „a” free term:  $H_0: a = 0$  and  $H_1: a \neq 0$
- 2) For the “b” term:  $H_0: b = 0$  and  $H_1: b \neq 0$
- 3) For the “c” term:  $H_0: c = 0$  and  $H_1: c \neq 0$
- 4) For the “d” term:  $H_0: d = 0$  and  $H_1: d \neq 0$

The estimation of the regression model parameters by using the LSM is presented in Table 5. The estimated parameters generate the following equation:

$$\text{DEMAND\_2010} = 0.1547461836 + 0.2845098452 * \text{GDPI\_2010} + 0.2212648379 * \text{INV\_2010} + 0.1518531622 * \text{EXP\_2010}$$

The determination coefficient, which value is of 0.5750, indicates the existence of a direct connection between the real growth of T&T demand and the three exogenous variables, during the year 2010, along the member and candidate countries of the European Union. The value of the determination coefficient R-squared=0.5750 shows that 57.50% represents the influence of the real growth of T&T Direct Industry in GDP, the Capital investment in T&T and Government expenditure for T&T on the real growth of T&T Demand, in member and candidate countries of the European Union, the rest of 42.5% being due to other factors. The result of Fisher test: F=11.73016 (Prof F- statistic= 0.0000 < 0.05), indicates that the used model expresses very well the correlation established between the existing DEMAND\_2010 and the GDPI\_2010, INV\_2010 and EXP\_2010 for the member and candidate countries of the European Union, during the year 2010. For the terms GDPI\_2010, INV\_2010 part of the multiple regression model, the p-value is smaller than 0.05, so in their case the null hypothesis is rejected, according to which the terms are null. So, these terms are significantly different from zero. On the opposite side can be remarked the EXP\_2010 variable which registers a p-value higher than 0.05, meaning that the term is null and insignificant for its influence on the real growth of T&T demand.

**Table 5: Correlation between the real growth (%) of the T&T Demand and the real growth of T&T Direct Industry in GDP, the Capital Investment in T&T and the Government T&T Expenditure (year 2010)**

Dependent Variable: DEMAND\_2010

Method: Least Squares

Sample: 1 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.154746	0.493665	0.313464	0.7564
GDPI_2010	0.284510	0.123555	2.302701	0.0296
INV_2010	0.221265	0.056099	3.944192	0.0005
EXP_2010	0.151853	0.107210	1.416411	0.1685
R-squared	0.575097	Mean dependent var		-1.410000
Adjusted R-squared	0.526070	S.D. dependent var		2.873224
S.E. of regression	1.978001	Akaike info criterion		4.325616
Sum squared resid	101.7247	Schwarz criterion		4.512442
Log likelihood	-60.88424	F-statistic		11.73016
Durbin-Watson stat	2.889960	Prob(F-statistic)		0.000048

Source: obtained from processing the data available on [www.wttc.org](http://www.wttc.org)

The GDPI\_2010 coefficient shows that between this variable and T& T Demand there is a positive relation. According to the coefficient associated with INV\_2010, it means that the real growth of T& T capital investment has a positive influence on real growth of T& T Demand. The variable EXP\_2010 cannot be taken into analysis because of its high p- value compared with the 5% level of significance.

## CONCLUSIONS

The relationship between the real growth of Travel& Tourism Demand and the real growth of Travel& Tourism Direct Industry in GDP, the capital investment in Travel& Tourism and the government expenditure in Travel & Tourism in member and candidate countries of the European Union exists, but the exogenous variables have (different) impact or not on the endogenous variable. The capital investment implies the contribution of both public and private sectors and their involvement could have a real and important impact on the real growth of the T & T demand, along the member and candidate countries of the European Union. The results of this paper could offer to public and private actors an oriented way towards obtaining a high real growth of T&T Demand, by taking into account the impact of the analyzed exogenous variables. The limit of the research consists of the small number of endogenous variables included in the model and for a future paper it could be interesting to include other macroeconomic elements, such as inflation, indirect taxes and customers' expenditure. A future intention refers also at expanding the analysis by using the data predictions made by the World Travel& Tourism Council, until the year 2020. Another suggestion that could prove useful for future research would be to make segmentation of the analyzed countries.

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