



Finland's Tourism Strategy to 2020

Four good reasons to promote tourist
industry development

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ABSTRACT

Finland needs new successful and growing industries, since the traditional cornerstones of Finnish industry and commerce, the forest industry and metal industry, are offshoring production. Simultaneously, Finland's tourism industry has good growth prospects¹. Tourism is providing employment, and tax and export revenues, and enhancing wellbeing throughout Finland.

In 2007, tourism sectors employed a total of 130,500 people, generating approximately 4 billion euro in tax revenues per year, and accounting for 3.8 per cent of GDP. By implementing the measures proposed in the strategy, these sectors could employ 171,000 people by 2020, generating 7.5 billion euro in tax revenue and accounting for 5.1 per cent of GDP.²

The strategy's leading principle involves enhancing the acknowledged strengths of Finnish tourism while helping growth-oriented, networked companies in tourism clusters to succeed. Taking account of the State's financial situation over the next few years, the strategy restricts itself to proposing only key objectives and measures.

The strengths of Finnish tourism include a unique location next to Russia, attractive travel destinations/tourism areas (e.g. Helsinki, the Turku Archipelago, Finnish Lakeland, and Lapland, including Kuusamo) and the diverse services offered by tourism clusters. Weaknesses include accessibility in general, unfamiliarity and high prices.

1 NOTE! The following text discusses the economic significance of both tourism and tourism businesses. The economic significance of tourism includes the economic impacts generated by people travelling to places outside their usual environment, either for business or leisure purposes. Tourism businesses are lines of business typical of tourism, such as accommodation services, restaurant services, passenger transport services (road, air and waterborne transport and railways alongside auxiliary activities), travel agency, tour operator and guide services, cultural services, sport and recreation services, vehicle rental services and miscellaneous services. While tourism is very important in these lines of business, their net sales are not generated through tourism alone. Instead, local demand can be clearly higher, as for instance in the restaurant business.

2 Growth figures are based on the assumption that demand for tourism services will increase by an average of 3 per cent a year and their value by an average of 5 per cent a year. Finland's estimated annual economic growth should average 2 per cent and its value 3 per cent a year until 2020, while annual labour productivity growth is estimated to average 0.5 per cent a year.

The Programme proposes that the Government decide on a strategic programme for tourism for the years 2011–2015, launched by the Ministry of Employment and the Economy. This programme would aim to foresee and monitor development within the industry, while taking any new initiatives necessary and coordinating the preparation and implementation of measures proposed in the National Tourism Strategy.

The strategy divides objectives and measures into three categories: internal development of the tourism sector, strengthening Finland's image as a tourist destination, and enhancing the basis of its general industrial policy.

Key internal development objectives within the tourism sector include strengthening tourism clusters and networks, supporting the growth and development of enterprises, and improving the infrastructure of travel destinations/tourism areas. These objectives and measures are related to tourism industry financing and its targeting. On the one hand, financing should be targeted more intensely at growth-oriented and networked businesses in tourism clusters. On the other, it should be targeted at infrastructure improvement projects serving all tourism businesses/companies.

Finland is not very well known as a tourist destination. In Sweden, Norway and Denmark, government investment in promoting tourism is higher than in Finland. Although new marketing channels facilitate marketing, they make the Finnish Tourist Board's presence in key export markets no less necessary. The strategy therefore proposes additional resources for the Finnish Tourist Board.

On a European scale, the prices of Finnish tourism services are high. High taxes and labour costs are one reason for this. The strategy proposes that value added tax be kept at a competitive level on a European scale and that the electricity tax imposed on service industries be lowered to equal that applied to industry.

Accessibility is critical to tourism. The strategy therefore proposes that the flow of railway traffic be enhanced by improving the Helsinki and Tikkurila railway stations. Moreover, fixed-term subsidies are proposed in order to increase charter flight volumes and to encourage the opening of new flight routes.

Finland's summer holidays are not scheduled in phase with the rest of Europe. The strategy proposes that the summer holidays of schools and other educational institutions be postponed by two weeks, and that their winter holidays be spread more evenly in February–March, during weeks 7–11.

INTRODUCTION

Finland's Tourism Strategy to 2020 outlines policies for the public sector's contribution to promoting the tourism trade. It delineates key development targets, lists measures for meeting these targets and describes the steps required to monitor the measures' effectiveness.

Finland's Tourism Strategy to 2020 is the second, consecutive national tourism strategy, replacing its predecessor drawn up in 2006. Compared to the previous strategy, major differences lie in the new strategy's more intense focus on developing industrial and commercial activity, and its concentration on measures that can be influenced using tools available to the Government. Changes in the operating environment were taken into account, while objectives have been prioritised and concretised. In addition, the actual strategy document has remained compact.

The Finnish Tourist Board has its own, revised strategy (www.mek.fi), which focuses more on operative measures. The Tourism Strategy compiled by the Ministry of Employment and the Economy forms part of industrial policy and is, by nature, more of a political comment on what should be done to develop the tourism trade in Finland.

Tourism has major employment impacts and the industry has a balancing effect on regional development in Finland.

As a baseline, the strategy assumes that the Finnish tourism trade will grow, be profitable and succeed in competing for international tourist flows. A particular goal is to increase international demand for tourism; in other words to boost the Finnish tourism trade's sales, and sales of the products and services of industries indirectly linked to the trade, to foreign customers. Tourism is a key export industry.

Attaining the objectives listed in the Strategy requires that the Government sector commit to them, alongside an active approach by enterprises in further developing their own operations.

The updated strategy was prepared by a working group appointed by the Ministry of Employment and the Economy between the spring of 2009 and May 2010.

FOUR GOOD REASONS FOR PROMOTING THE DEVELOPMENT OF TOURIST INDUSTRIES

1) Tourism is an industry with remarkable multiplicative effects on the national economy

Tourism has extensive multiplicative effects on economic activity in different parts of Finland. Key sectors of the tourism trade are restaurant and accommodation services, while others include amusement parks, ski resorts, programme services, festivals and other cultural services, and camping sites.

Lines of business directly connected to tourism include transport services (transport of goods and passengers), property and equipment maintenance, the security business, the grocery trade, specialty trade, construction and building development services, IT services, the production of foodstuffs, food processing and waste management. The trade also influences the normal basic duties of local authorities, such as health care, rescue services, supervision of building, town planning and community development services provided by municipalities. Moreover, the tourism trade creates demand in areas such as the communications sector and office services (e.g. accounting and auditing), while also being influential as a secondary occupation in agriculture and forestry.

In 2007, tourism accounted for 2.3 per cent of Finland's GDP, while the share of tourism businesses came to 3.8 per cent. However, in terms of employment and tax revenue for the national economy, tourism is a larger industry in relative terms (Figure 1). A total of 130,500 employees, i.e. 5.2 per cent of Finland's employed workforce, earn their living in tourism sectors. In private service sectors, over one tenth of workers are employed by tourism businesses. Of government taxes and tax-related fees, 5.4 per cent find their source in the tourism industry. (Source: Statistics Finland and the Finnish Hospitality Association MaRa)

Figure 1: Significance of tourism sectors to Finland's economy

	Finland	Tourism sectors	
		total	per cent
Gross domestic product at basic prices (2007)	€156.91 bn	€5.95 bn	3.8%
Employed labour force (2007)	2.49 bn	130,500	5.2%
Employed persons in private service sectors (2008)	1.1 million	124,000	11.3%
Government revenues from taxes and tax-related fees (2009)	€73.6 bn	€4 bn	5.4%

Source: Statistics Finland, Tourism Satellite Account 2007, Helsinki 2009 and Statistics Finland, Annual national accounts, Preliminary data for the year 2007 and 4th quarter, Helsinki 29.2.2008.

According to Statistics Finland, total tourism consumption in Finland came to EUR 11 billion in 2007. Foreign travellers' proportion of total tourism consumption was 29 per cent (EUR 3.1 billion). Internal tourists are important to the Finnish tourism trade, but future growth potential lies in foreign travellers. Any increase in foreign demand for tourism would directly increase Finland's national income.

In the tourism account, passenger transport services form the largest item in terms of demand, with consumption totalling EUR 3.4 billion. Consumption of restaurant services totals EUR 1.7 billion and that of accommodation services over EUR 1.5 billion. Fuels and purchases from shops also number among the most important of travellers' consumption items.

2) Tourism is an industry with an intense employment effect

Tourism is labour intensive and dominated by SMEs. Furthermore, the tourism sector employs a high number of young people.

Tourism businesses employed 130,500 people in 2007. In industrial statistics, employment trends are easiest to follow for accommodation and restaurant services, where the number of employed persons increased between 1995–2008 by 37 per cent (Figure 2). This was considerably faster than the average employment in all industries (26%), which rose during the same period due to the phenomenal growth of the electronics industry, led by Nokia.³ In 2008, accommodation and restaurant services alone provided employment for 82,000 wage-earners and entrepreneurs, which, in all, equals employment in the traditionally strong wood and paper industry. By comparison: in 2008, Nokia employed over 16,000 staff in Finland.

Figure 2: Total number of employed persons (wage-earners and entrepreneurs) in five selected industries in 1995, 2001 and 2008 (one thousand people)

	1995	2001	2008	Change (%) 1995 – 2008
Agriculture, forestry and hunting	158.9	129.6	120	-24%
Manufacturing of pulp, paper and paper products, publishing	73.3	72.9	57.9	-21%
Hotels and restaurants	59.7	75.7	82	37%
Financing and insurance	48.3	41.1	41	-15%
Wood and products of wood	29.8	31.4	28.8	-3%

Source: Statistics Finland, National accounts

3) Tourism brings prosperity and wellbeing to regions

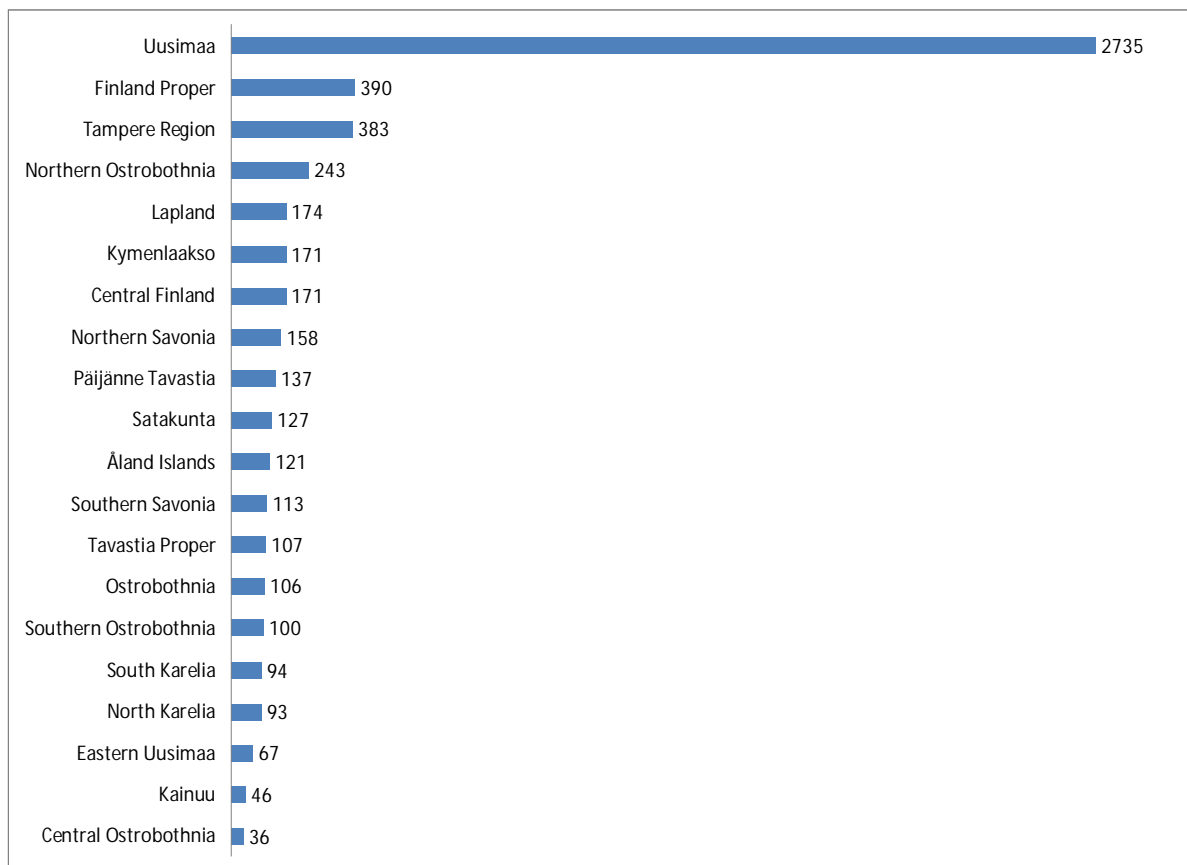
In Finland, tourism is a regionally significant source of livelihood. In absolute terms, the income and employment impacts of tourism are centred in the same regions as population and production: Uusimaa, Southwest Finland and Pirkanmaa⁴. In these regions, tourism generates value added above the national average (figure 3). The dimensions of the tourism trade, and its significance in terms of the regional economy, is highest in relative terms not only in Uusimaa but also in Lapland, Kainuu and Åland.

³ National accounts; Statistics Finland

⁴ Impacts of tourism on regional economy – regional tourism account, the Ministry of Trade and Industry, 2006 and Konttinen, Juha-Pekka: uneven division of tourism income, Tieto & Trendit, November 2008.

According to statistical accounts, the number of foreign tourists staying overnight in hotels and other accommodation businesses is clearly highest, in relative terms, in Uusimaa, Lapland and Åland. On the other hand, international travellers' consumption focuses not only on strong tourist regions but also on air traffic and shipping hubs. Domestic travel for business purposes is clearly focused on growth centres, generating significant tourism receipts for certain regions, while domestic leisure travel is clearly more evenly divided between regions. In general, differences in consumption by domestic travellers between different regions are considerably smaller than those in consumption by international travellers. Worldwide, tourism has gained intensely in volume and significance over the last few years. In Finland, too, the economic impacts of tourism have steadily increased.⁵

Figure 3: Value added of demand for tourism services as a share of regions' gross value added in 2006 (%). Average value added per region is 278.6 million euro.



Source: Statistics Finland/Juha-Pekka Konttinen

⁵ Ibid. (Impacts of tourism on regional...)

Success in the tourism trade has a balancing effect on regional development, as many key leisure tourist centres and tourism clusters are located outside growth centres. Tourism industry services, such as various restaurants, or additional demand due to tourism for e.g. health care services (particularly in the vicinity of tourist centres), also facilitate the provision of more diverse and higher quality services for locals. Once they have exceeded their so-called critical mass, active tourism activities and development of the tourism trade influence the diversification of the industrial structure. Businesses that develop alongside tourism are primarily located in the service sectors, transport and construction. Tourist services also create basic infrastructure, providing the basis for the development of other forms of business activity – as demonstrated by the filming and testing of cars in Lapland.

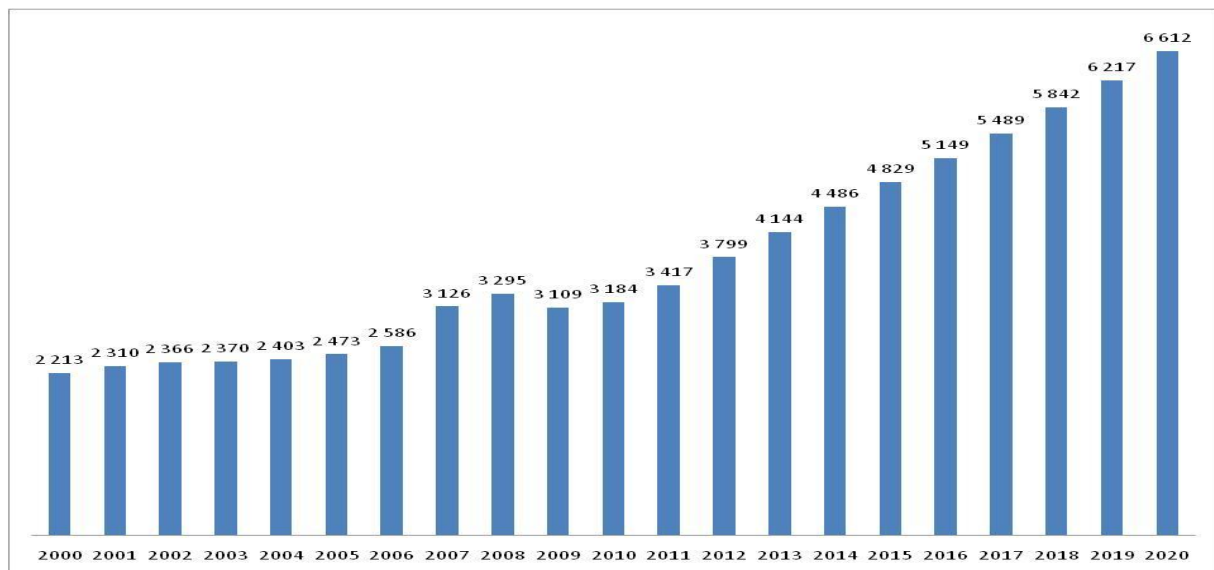
4) Tourism has growth potential

From the perspective of the national economy and regions alike, developing inbound tourism to Finland is the most efficient method of increasing the income generated by tourism. For some time now, foreign demand for tourism has grown steadily; following the end of the recession, it is expected to resume a rising trend fairly quickly. Moreover, tourism is the only export business in which consumption takes place in the home country while being subject to domestic value-added tax.

In the 2000s, international tourism to Finland has been growing steadily. In 2009, a total of 5.7 million international tourists visited Finland, i.e. 50 per cent more than in 2000. Within that period, the number of those visiting for the day more than doubled, while the number those staying at least one night in Finland only grew by just above one quarter.⁶ Finland's international tourism receipts totalled 3.1 billion euro (2009), up by approximately 40 per cent since 2000 (Figure 4). It is predicted that international tourism receipts will grow even more intensely. According to Tourism Economics, a US-based tourism consultancy, international tourism receipts will double in the period 2010–2020.

⁶ Finnish Tourist Board/Statistics Finland, Border Interview Survey 2000–2009

Figure 4: Development of international tourism receipts

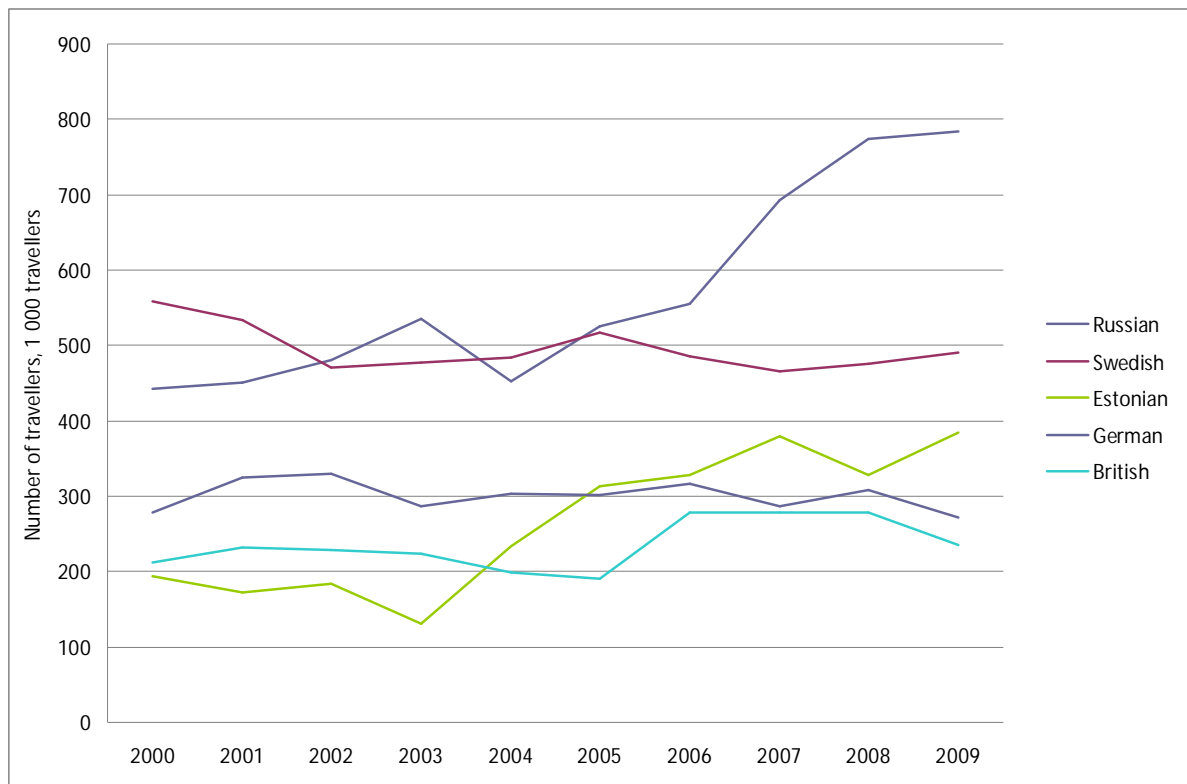


Source: Statistics Finland (Years 2000–2009) and Tourism Decision Metrics (Years 2010–2020)

Figure 5 shows that in the period 2000–2009, the number of Russian visitors staying overnight grew the most, from around 450,000 to slightly less than 800,000, whereas the number of Swedish visitors staying overnight decreased from 550,000 to slightly less than half a million. The number of Estonian visitors staying overnight almost doubled from 200,000 to 400,000, but the number of visitors arriving from Germany and staying overnight in Finland did not change from 2000 to 2009. The number of visitors from Britain grew to almost 300,000 in 2006–2008, but due to the severe effects of 2009, a dark year for tourism, on international travel by British visitors, their overnight stays in that year were only slightly above the level of 2000.

At present, a total of 63 per cent of all international travellers staying overnight in Finland arrive from Russia (23%), Sweden (14%), Estonia (11%), Germany (8%) and Great Britain (7%).

Figure 5: International travellers arriving in Finland (staying at least one night in Finland) from key countries of origin in 2000–2009

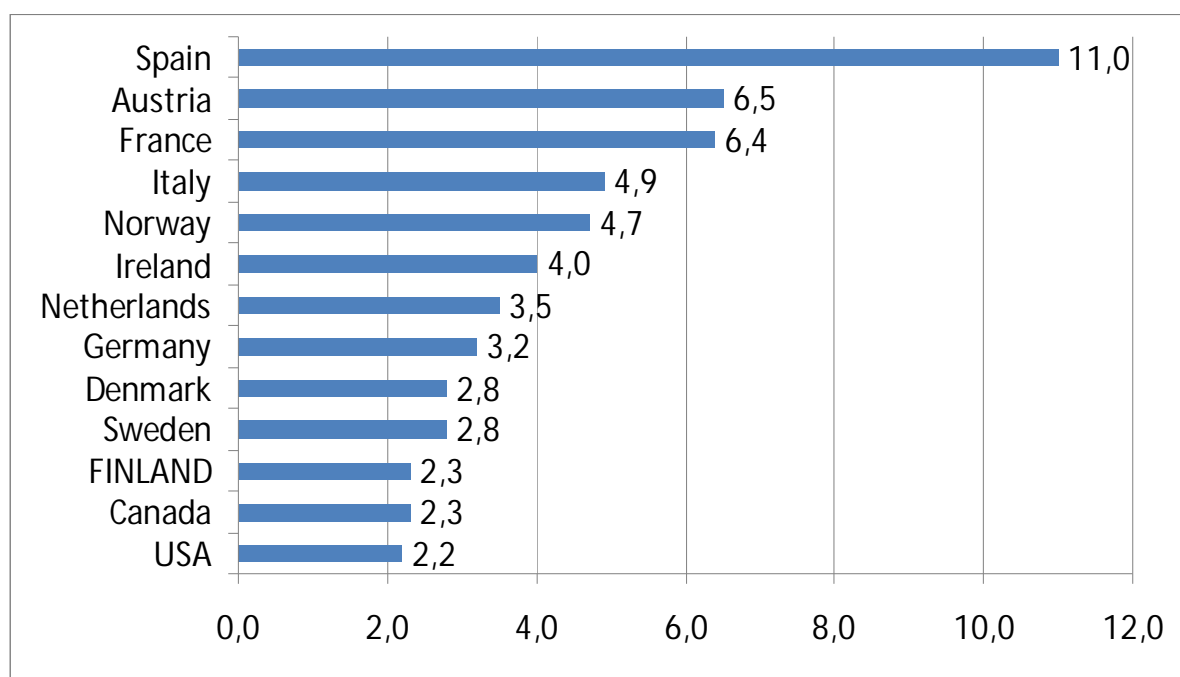


In Finland, tourism's share of GDP is slightly below that of competing countries (Figure 6), and in general terms, one of the lowest in Europe.⁷ Within the European Union, tourism's direct share of GDP averages 6 per cent, while in Finland it is only 2.3 per cent.⁸

⁷ Eurostat.

⁸ Eurostat.

Figure 6: Tourism's share of GDP in certain countries



Source: Tourism satellite account reports of the countries in question (figures based on latest data available for each country)

A number of forecasts on the future of international tourism predict that it will begin to grow again after the slowdown caused by the recession. The development of Finland's inbound tourism is usually surveyed as part of international tourism trends. The most recent forecasts show fairly moderate growth figures for international tourism: according to various forecasts (MINTEL, UNWTO, SMERAL), annual growth in international tourism from 2010 to 2020 will vary between two and three per cent.

However, to grow tourism cannot rely solely on rising volumes of the current products and services. Instead, such growth will require the industry to renew and enhance the efficiency of service production. Growth-supporting trends include increasing prosperity and leisure spending's growing share of total consumption. Also, it is estimated that the share of immaterial consumption, particularly related to services and experiences, will increase in relation to material consumption. However, responding to these positive prospects requires a new kind of innovative and customer-oriented development, marketing and sale of services.⁹

⁹ Megatrends and us, Tekes 2009.

Whenever a foreigner becomes interested in Finland, the trip should be easy to purchase as a whole. However, this is not always the case. Above all, in order to go international, the Finnish tourism trade needs more sales. Service concepts, their modulation (mass tailoring), the management of distribution channel solutions (incl. both traditional sales to travel agencies, and electronic distribution channels such as OTA and GDS)¹⁰ alongside price discipline form part of the development efforts required in order to succeed.

TOURISM INDUSTRY TRENDS

As regards tourism industry trends, the factors that have influenced the development of the tourism industry since the completion of the previous strategy, i.e. since 2006, have been surveyed. In this respect, the intention in updating the strategy was not to achieve a comprehensive description of trends. The primary individual change factor in the tourism industry's operating environment has been the worldwide financial crisis that began in 2007 and the ensuing recession, which caused a decline in international tourism, including inbound tourism to Finland. As economic trends change, the numbers of travellers will begin to rise. The slowdown due to the recession is not expected to cause any permanent structural change in tourism demand. Although trends governing the development of tourism markets have not undergone any fundamental change since the previous strategy was compiled, three basic trends have intensified and become clearer.

Emphasis on environmental awareness. Environmental issues are influencing the tourism industry in a variety of ways. At present, climate change is a major uncertainty factor in the world. Although its ecological impacts are partly unknown, it is already affecting the competitiveness of the tourism trade through travellers' changing attitudes and increasing environmental awareness. Therefore, tourism industry businesses must take environmental issues into account on a broader scale when developing and marketing operations.¹¹

Untouched and clean nature has been the strength of Finland's inbound tourism. From this viewpoint, major risks involving the tourism trade include various environmental catastrophes. For instance, an extensive oil spill in the Baltic Sea would probably cause irreparable damage to the environment and Finland's image. Landscape-related values of tourism areas must also be taken into consideration in all business activities.

¹⁰ OTAs (Online Travel Agencies) are real-time travel agencies operating in data networks, striving to conclude brokerage contracts with individual enterprises. GDSs (Global Distribution System) are distribution systems, the best-known of which are the worldwide Amadeus and Sabre, operated by airlines.

¹¹ Example: Business Sector Report, Overview on Tourism 2009.

Fragmentation of customer groups. New customer segments form another distinct factor influencing the future of the tourism industry. The ageing population is growing in number and the elderly are more prosperous than before. For this reason, like other sectors of society, the tourism industry must be prepared to provide services for this active and demanding group of consumers which has the time to travel. Likewise, the industry must be able to manage more distinct customer groups, separated by generations and different ways of life, which demand different services and cannot be handled as one market. This requires sensitivity from the industry in recognising new kinds of customer segments and their wishes or requirements – in other words, the ability to operate in a user and demand-oriented manner.¹²

Increasing significance of the Internet. In addition to new kinds of distinct customer groups, the methods of marketing, comparing and purchasing tourism services have undergone a transformation. Internet-based applications have changed the way in which consumers arrange trips independently, familiarise themselves with travel destinations in advance, and assess and recommend destinations to other consumers. Consumer behaviour is being more effectively steered than ever before, by peer evaluations in the social media. In response, the tourism industry must take account of more visible consumer feedback.

FINLAND'S STRENGTHS AND WEAKNESSES AS A TOURIST COUNTRY

Measures targeted at promoting the tourism trade must be based on Finland's proven strengths and weaknesses, and the resulting development needs. Finland's primary competitors in the international tourism markets are Sweden and Norway. Hence, its strengths and weaknesses have also been considered in relation to these countries. Account was taken of the strengths and weaknesses listed below when forming development targets and measures.

Strengths

- Accessibility from Russia

Russians already form the largest foreign customer group in Finland. The potential for increasing the number of tourists is huge, since Finland enjoys a unique location next to St. Petersburg and the adjacent areas. Russia does not have connections to any other state which are as good and quick as these, and

¹² Example: Background survey for the interim evaluation of Tekes's Leisure services programme; University of Joensuu, Centre for Tourism Studies, 2009.

the high-speed Helsinki-St. Petersburg rail link will enhance Finland's competitiveness even further in terms of attracting Russian tourists.

- Attractive tourist areas

Finland has a number of attractive tourist areas, including Helsinki, the Turku Archipelago, Finnish Lakeland and Lapland, including Kuusamo.

- Diverse tourist centres

Finland's tourist centres, which have had a particular focus on the development of leisure travel, offer a diverse range of high-quality services. In addition to a variety of accommodation and restaurant services, they offer downhill skiing, cross-country skiing and a wide range of programme, wellbeing and spa services. The centres are close to nature and the peace it offers. Due to the existence of airports in the vicinity of these tourist centres, transit distances are short. Taken together, these factors constitute a singular competitive advantage for Finnish tourist centres.

Weaknesses

- Awareness of Finland

Finland is a small, unknown country. Its ranking in the GFK Roper Nation Brands Index (Anholt) "tourism destination brand" section was 27th in 2008. Finland cannot become better known without active efforts to improve the image of the country in general and as a travel destination. The prerequisites for improving Finland's tourism image have been weakened considerably in the last few years due to cuts in the Finnish Tourist Board's budget.

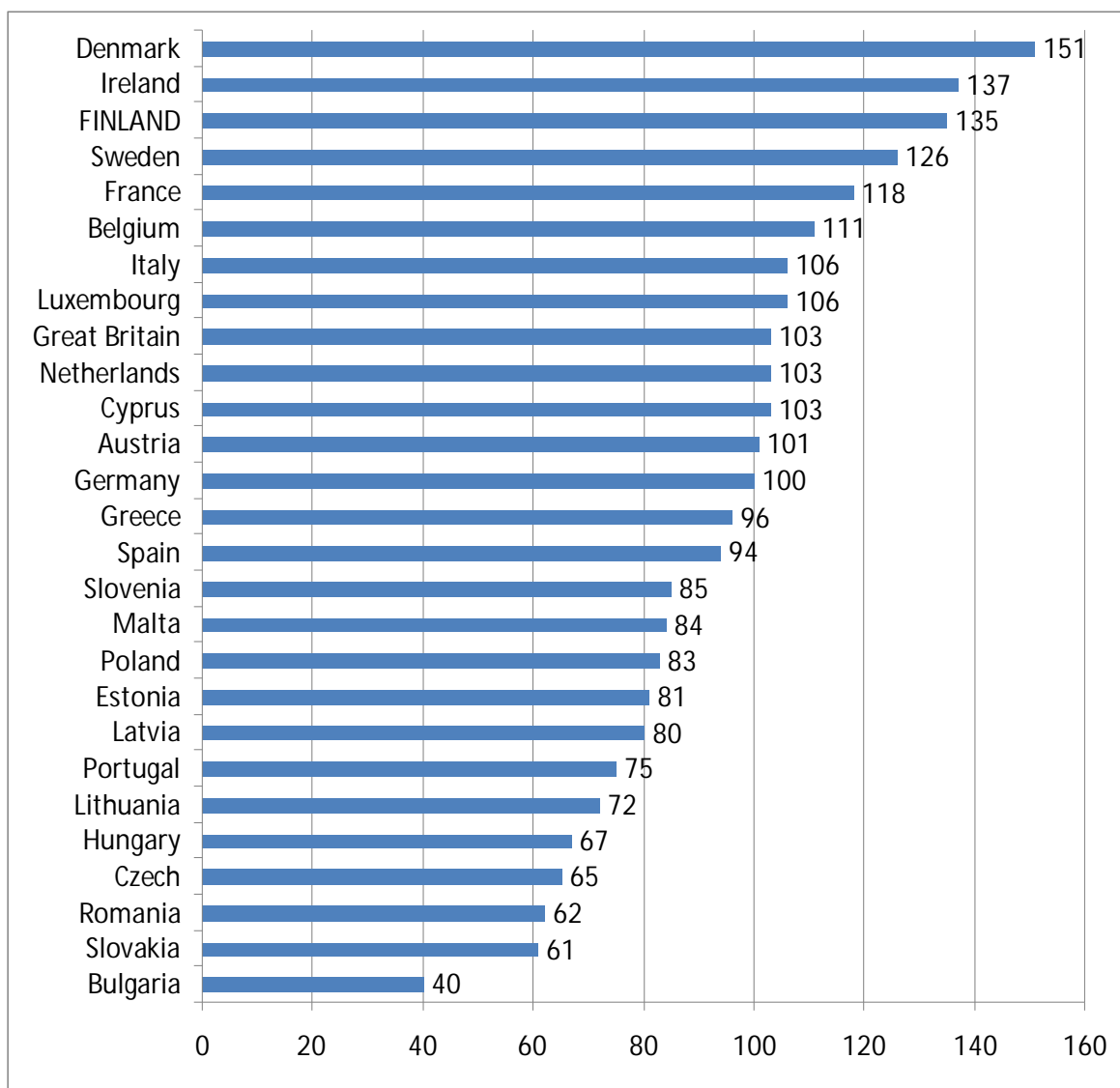
- Accessibility

Viewed from parts of the world other than Russia, Finland is an island. Indeed, distances from other, non-Russian, parts of the world are longer than in the case of competing countries, which raises travel costs. Convenient air traffic links and moderate price levels are vital to Finland's tourism. It would therefore be vital to open up chartered transport links and new routes from abroad. In terms of inland traffic, train services will become increasingly important as environmental requirements become stricter. Not all of Finland's rail network is in the best possible shape.

- High price levels

The prices of Finnish tourism services are high on a European scale (Figure 7). Furthermore, international travellers have the notion that Finland is a high cost country. High taxes and labour costs are one reason for this. When a foreign customer chooses a travel destination among countries of the same type, price plays a key role. Finland will never be a budget destination nor a mass tourism country, but price levels will still play a key role in Finland's success as a travel destination.

Figure 7: Hotel and restaurant services' price levels in the EU countries in 2008 (EU27=100)



Source: Eurostat

OBJECTIVES AND MEASURES UNTIL 2020

Quantitative goals by 2020 are as follows:

- Share of GDP, at 3.8 per cent in 2007, will increase to 5.1 per cent.
- Government tax revenues, at 4 billion euro in 2008, will increase to 7.5 billion euro.
- The number of jobs in tourism industries will grow from 130,500 in 2007 to 171,000.
- Tourism receipts, at 11 billion euro in 2007, will increase to 20.7 billion euro.

The number of international arrivals staying at least overnight in Finland, will grow from 3.4 million in 2009 to 5.1 million.

STRATEGIC PROGRAMME FOR TOURISM

The significance of the tourism industry will grow in Finland during the strategy period, employing people and generating tax revenues for the state and local authorities throughout the country. Due to the increasing significance of tourism businesses, the strategy proposes that the Ministry of Employment and the Economy launch a strategic programme for the tourism industry for the period 2011–2015.

The objective of the strategic programme for tourism, based on a partnership between the tourism trade and the public sector, would be to foresee and monitor the tourism industry's development, to coordinate the operational preconditions of the tourism trade and tourism business, and, if necessary, to propose new initiatives to further the development of the tourism trade in Finland. The programme would also coordinate the preparation and implementation of the measures proposed in Finland's National Tourism Strategy.

A Programme Director would be appointed to manage the Programme, and ministries key to the tourism industry, including the Ministry of Employment and the Economy, the Ministry of Finance, the Ministry of Agriculture and Forestry, the Ministry of the Environment, the Ministry of Education and Culture, the Ministry of Transport and Communications, and the Ministry for Foreign Affairs, would contribute to its implementation. In compliance with their areas of responsibility, ministers and ministries would be in charge of the preparation and implementation of various measures. Moreover,

a joint, high-level management group, representing a range of administrative sectors and chaired by the Minister of Economic Affairs, would be appointed for the Programme.

Programme focus areas would include ensuring the competitiveness of the tourism trade, improving the business opportunities of enterprises, while enhancing the functioning of the trade and highlighting its significance, alongside research activity and foresight. The strategic programme for tourism would clarify the activities and roles of different parties. This strategy defines these roles as follows: the Finnish Tourist Board will be responsible for the “ownership” and coordination of the tourism brand in foreign trade i.e. Finland’s tourism brand. Moreover, the Finnish Tourist Board will remain the leading coordinator of the quality enhancement programme for the entire industry and will continue to be responsible for enhancing competencies. In addition, it is recommended that in regions where tourism is one of the focus areas of the regional strategic programme, a joint tourism workgroup or tourism team of the Centre for Economic Development, Transport and the Environment and the Regional Council be established.

TOURISM STRATEGY MEASURES

Tourism strategy measures are divided into three mutually complementary entities concerning (1) the development of the tourism sector, (2) enhancing Finland’s image as a tourist destination and (3) the general industrial policy base underlying industry development.

Figure 8: The tourism strategy includes three sets of mutually complementary measures



1. DEVELOPMENT OF THE TOURISM SECTOR

Tourism industry prerequisites will be developed on the basis of business potential and benefits. During the strategy period, both public sector and tourism trade measures will be aimed at improving the industry's economic significance, enhancing competencies and improving systematic cooperation across sectoral boundaries. The tourism industry will seek growth in the international tourism markets while maintaining domestic demand.

Goals and measures

1.1 Strengthening of tourism clusters and networks

The networking of tourism companies into tourism clusters will be encouraged. Tourist centres or other geographical and operational centres (such as cities) will function as drivers of sales and, through this, customers will be able to find other networked operators. Successful and potential tourism areas will be developed to reach top international standards. Tourism clusters will exemplify a networked operating model.

1.2 Supporting the growth and development of enterprises in the home market and internationally

The product development, business expertise and profitability of tourism businesses will be enhanced while promoting export trade. Business development might entail, for instance, the analysis of customers and markets, the planning of business models and strategies, the development of products, services and production, or the development of management and staff. Developing theme-based products and services will continue.

1.3 Attention to sustainable development in tourism business processes and the supply of services

Nature has intrinsic value but is also invaluable to humans on a concrete level. Ecosystem services refer to the various benefits humankind gains from natural systems, including nutrition (food and water), regulation (control of floods, draught and erosion) and culture (recreational, spiritual and other intangible benefits).

Demand for ecosystem services will increase in line with population and economic growth, and improvements in material standards of living.¹³

Energy saving and enhancing energy efficiency are often economically profitable. Good energy-related decisions equal good environmental decisions. Recycling of waste also facilitates considerable reductions in greenhouse gas emissions – but we can achieve even higher reductions by preventing wastage and the generation of waste.

Consumer choices are crucial to determining enterprises' decisions on what to produce, and those of consumers on what to buy. Demand creates and modifies supply.

1 4 Development of education in the tourism industry and enhancement of competencies

The tourism industry is a major employer and the sector's share of the employed workforce is set to increase in the future. In addition, the tourism business is a significant employer of young people. The possibilities for automating work in the industry are limited and performance of such work cannot be transferred abroad. Tourism industry enterprises need multi-skilled employees with good professional skills, the ability to serve demanding customers, and skills in foreign cultures and languages.

Russians are already the most important group of foreigners in Finland and their number of visits to the country will increase markedly in future. Educational institutions in the tourism and restaurant trade should therefore have a greater focus on the study of the Russian language and culture.

As the generations diminish in size, the supply of workforce will not suffice. The tourism industry therefore needs work-based immigrants. In fact, in the years to come there will be competition over skilled foreign workforce. Finland must have a strategy for attracting work-based immigrants.

Immigrants moving to Finland should be encouraged to find employment in the tourism industry by arranging adult training, training in the English and Finnish languages, and on-the-job training.

¹³ Prime Minister's Office Publications 30/2009 Government Foresight Report on Long-term Climate and Energy Policy: Towards a Low-carbon Finland

1.5 Improving the infrastructure of tourism areas

Many tourism areas are located in remote, sparsely populated regions, in many of which the tourism business is seasonal. Most staff employed by the business do not live in the region permanently and thus do not pay taxes on earned income there. This undermines the possibilities tourism areas have of constructing essential infrastructure based on their own tax revenues. Financing must be arranged from external sources.

The operational preconditions of tourism businesses can be improved by promoting investments in the infrastructure of tourism areas, which would not distort competition between enterprises. These include investments in transport connections, sanitary engineering, roads, enhancing energy efficiency and recreational areas. Moreover, financing for the establishment and maintenance of national parks, and of trekking and snowmobile routes, is vital to the success of tourism businesses.

1.6 Better utilisation of research and market data

The production of research data will be brought up-to-date and the communication of information to the industry enhanced. More specific goals are included in the Action Plan for Tourism Research, due for completion around the same time as the Tourism Strategy.

<i>Objective</i>	1.1 Strengthening of tourism clusters and networks	
<i>Measures</i>	<i>Responsibility</i>	
Investment subsidies for enterprises and the allocation of regional development funds will prioritise networked business within the range of clusters	Centres for Economic Development, Transport and the Environment, Regional Councils	
Development of electronic systems in support of sales and communications	Enterprises that can apply for support and funding (e.g. from the Centres for Economic Development, Transport and the Environment and Tekes), are responsible for system development.	
Networking and strengthening of service chains	Implementation in the regions is coordinated by regional organisations that can apply for support e.g. from Regional Councils, Centres for Economic Development, Transport and the Environment and Tekes. Development can	

	utilise, for instance, the funds of the rural development programme for continental Finland (Ministry of Agriculture and Forestry) and those of regional development and innovation programmes (Ministry of Employment and the Economy).
International joint marketing of tourism clusters (regional entities)	Regions in cooperation with the Finnish Tourist Board, the regions being responsible for concrete product marketing (regional campaigns) and the FTB being responsible for image marketing.

<i>Objective</i>	1. 2 Supporting the growth and development of enterprises in the home market and internationally
<i>Measures</i>	<i>Responsibility</i>
Financing and expert assistance for enterprises' challenging development projects of novelty value	Enterprises are responsible for the development of their business. The Ministry of Employment and the Economy, Tekes and Centres for Economic Development, Transport and the Environment grant financing for development projects and offer expert assistance. Expert assistance is also available from e.g. the Finnish Tourist Board (quality criteria and demand) and Finpro (internationalisation) as part of the agreed national operating model, under FTB guidance.
The development of theme-based products and services	The Finnish Tourist Board is responsible for coordinating national product development programmes. Projects with sub-projects are implemented together with companies. The Ministry of Education and Culture coordinates the tourism-related productisation of culture.
Joint export projects	Enterprises implement joint export projects, for which financing can be applied for from the Ministry of Employment and the Economy, and Tekes.

<i>Objective</i>	1. 3 Attention to sustainable development in tourism business processes and the supply of services	
<i>Measures</i>		<i>Responsibility</i>
<p>Attention to sustainable development in society</p> <ul style="list-style-type: none"> - Land-use planning - Traffic solutions - Route networks - Energy, water and waste management solutions, including the use of renewable energy 		<p>The Ministry of Employment and the Economy and Centres for Economic Development, Transport and the Environment can grant subsidies for municipal energy auditing to municipalities which have joined energy efficiency agreements. Likewise, investment subsidies can be granted for projects that promote energy saving and energy efficiency. The main focus lies on projects that utilise new technology. The financing of innovative public procurements is possible through Tekes' sustainable community 2007–2012 programme.</p>
<p>Attention to sustainable development in enterprises</p> <ul style="list-style-type: none"> - Energy, water and waste management solutions (energy efficiency and savings) - Minimising the generation of wastage and waste 		<p>Enterprises can apply for support for energy audits and energy-related investments from the Centres for Economic Development, Transport and the Environment. Financing for challenging development projects of novelty value can be applied for from Tekes.</p>
<p>Solutions supporting sustainable choices of future consumers</p> <ul style="list-style-type: none"> - Accommodation solutions - Environment-friendly transport solutions and means of transport - Food and drinks - Programme services and activities - Immaterial experience contents 		<p>Enterprises and enterprise networks can apply for financing from Tekes and Centres for Economic Development, Transport and the Environment.</p>

<i>Objective</i>	1.4 Development of education in the tourism industry and enhancement of competencies	
<i>Measures</i>	<i>Responsibility</i>	
The supply of education is developed to meet the need for workforce, with a focus on secondary education.	Ministry of Education and Culture	
Increase in work-based immigration.	The Government	
Work-based immigrants will be encouraged to find employment in the industry by means of adult training, English-language training opportunities, and on-the-job training.	Ministry of Education and Culture, Ministry of Employment and the Economy and providers of training in cooperation with enterprises.	

<i>Objective</i>	1.5 Improving the infrastructure of tourism areas	
<i>Measures</i>	<i>Responsibility</i>	
Development and maintenance of an infrastructure that directly improves the operating conditions of the tourism trade and takes account of the special characteristics of regions.	Project drivers: municipalities, enterprises, enterprise pools, development companies and sub-regions. Financing for projects can be granted from structural fund assets, rural development assets, energy subsidies of the Ministry of Employment and the Economy, or for instance from assets granted for job-creation, environmental protection or environmental improvement.	

<i>Objective</i>	1.6 Better utilisation of research and market data	
<i>Measures</i>	<i>Responsibility</i>	
Development and maintenance of tourism industry statistics	Statistics Finland, with higher education institutions contributing to development efforts	

Production and distribution of foresight data in support of the industry' s development	Foresight network coordinated by the Lapland Institute for Tourism Research and Education
Establishment and maintenance of a nationwide research database	University of Eastern Finland
Industry-based research activity High-level research creating significant utilisation opportunities for trade and industry, promoting the development of competitiveness and wellbeing in society.	TeKes provides financing, while participating enterprises contribute to financing and utilise results in business development.

2. REINFORCING THE IMAGE OF FINLAND AS A TOURIST DESTINATION

Reinforcing the image of Finland as a tourist destination will enhance Finland's brand and make Finland an increasingly attractive and popular venue for tourists. This strength will be supported by the right kind of international publicity. Four Cs form the core of Finland's country-specific brand of tourism: Finland has credibility as a tourism country, it is a nation of positive contrasts and creativity, which make it seem pleasant, relaxed and up to the minute, while also being clean and fresh, i.e. cool. The Finnish Tourist Board is responsible for leading and coordinating efforts to strengthen Finland's image as a tourist destination.

Goals and measures

2.1. Strengthening tourism marketing

The Finnish Tourist Board is responsible for marketing Finland internationally as a tourism destination. International customers' share of Finland's tourism consumption came to EUR 3.1 billion in 2007. Such customers contributed some 800 million euros to the Finnish government in the form of various tax revenues and created around 18,000 man-years of employment for Finland.

As a consequence of the change in Finnish Tourist Board's operating methods, allocations from public funds decreased from 16.2 million euros in 2008 to 9.8 million in 2010.

An increase in the Finnish Tourist Board's budget would have benefits such as enabling a presence in key market areas. An active presence and marketing in our main markets abroad are the prerequisites for increasing Finland's volumes of inbound tourism. Competition over international travellers is intense.

2.2. Enhancing Finland's international visibility

Alongside visibility in international media and exploitability as a travel destination, large international events are a key method of increasing Finland's attractiveness, and general awareness of the country. The influence of major projects lasts substantially longer than the events themselves. Participants in major events, and smaller congresses, meetings, incentive trips and events also increase leisure travel flows.

<i>Objective</i>	2.1 Strengthening tourism marketing
<i>Measures</i>	<i>Responsibility for implementation</i>
Strengthening the operations of the Finnish Tourist Board*	Government
Strengthening Finland's image as a tourist destination and responsibility for leadership	Finnish Tourist Board
Joint projects to enhance international visibility – regional, theme or product-based	Ministry of Employment and the Economy, the Finnish Tourist Board, regional organisations, product or sector-specific joint ventures in tourism. The industry's share of marketing inputs will be gathered through operational organisations.
Coordinating Finland's country image	Finland Promotion Board under the leadership of the Ministry for Foreign Affairs

* In comparison with Sweden and Norway, Finnish Government allocations for the development of Finland's image as a tourist destination have decreased drastically over the last few years (see Appendix).

<i>Objective</i>	2.2 Enhancing Finland's international visibility
<i>Measures</i>	<i>Responsibility for implementation</i>
Promoting meeting, congress, event and incentive travel	Finnish Tourist Board, Finland Convention Bureau (FCB), trades divisions and tourist offices of cities, enterprises
Finland to host major international sports and cultural events	In the first instance, associations, together with trades divisions and tourist offices of cities or regions, are responsible for implementation. The Ministry of Education and Culture prepares policies in support of major events.

3. GENERAL INDUSTRIAL POLICY STARTING POINTS

Through its industrial policy, the Government creates the operational preconditions required to ensure the tourism industry's international competitiveness.

Goals and measures

3.1 Development of taxation

3.1.1 Value-added tax and other taxes on consumption

Every year, the tourism industry pays two billion euro in value-added tax (2009). Value-added tax rates have a major impact on Finland's international competitiveness in tourism. Those of transport services, entry tickets, and accommodation and restaurant services will become competitive on a European scale after the lowering of VAT on restaurant food, due to take effect on 1 July 2010. However, the 23 per cent tax rate is the third-highest within the European Union.

Internationally high labour costs and otherwise high taxation, with the exception of lowered VAT rates, undermine the competitiveness of tourism industry businesses. The fixed costs of

these businesses, which cannot be lowered in any significant way by enhancing the efficiency of operations, are high. As regards the success of the tourism business, it is essential that the value-added tax on the tourism industry be maintained at levels that are competitive on a European scale. Any increases will force enterprises to raise prices, which will, in turn, affect demand for tourist services. As prices rise, Finns will increasingly travel to Estonia and other Baltic countries, and Finland's competitiveness in attracting international travellers will suffer. This will remarkably reduce employment in tourism services in Finland.

Increases in other taxes on consumption (including alcohol tax) will also erode the competitiveness of Finnish tourism. For instance, according to a January 2010 survey by TNS-Gallup, beer imports, mainly from Estonia, increased by 27 per cent from 2008 to 2009. Increases in taxes on consumption (e.g. alcohol tax) will result in travel demand transferring to Estonia, which, in turn, will decrease the tax revenues accruing to the state of Finland.

Value-added taxation and other taxes on consumption must be maintained at a level which is competitive on a European scale. Value-added tax increases must not be allowed to undermine the international competitiveness of the tourism industry.

3.1.2 Electricity tax and other energy taxes

The tourism sector includes energy-intensive businesses, such as ski centres, amusement parks, hotels and spas.

From 1 January 2011, the electricity tax rate applicable to service industries will be 1.70 cents/kWh, while for industrial companies it will be 0.70 cents/kWh. From the tourism trade's perspective, there are no acceptable grounds for such a difference. In Finland, service sector companies employ 1.1 million people, while industrial companies employ 0.6 million. Service industries' share of the total employment rate is set to increase, and many tourism industry businesses will generate export income for the state as international customers visit Finland.

The electricity tax for tourism industry businesses must be lowered to equal that of industrial companies. Finland's energy taxation must be maintained at competitive levels in comparison with major competing countries.

3.1.3 Environmentally responsible energy use

Protection of the environment and climate is a goal of global significance. Leading the way in adopting a responsible approach to environmental and climate issues and in promoting energy efficiency is a key competitive asset for tourism in Finland. The Government must provide incentives rather than sanctions for the introduction of technology and procedures that show better consideration for environmental and climate issues.

The government shall, by means of taxation and other solutions, encourage enterprises, including tourism industry businesses, to adopt technology that takes better account of environmental and climate issues.

3.1.4 Supranational discriminatory legislation

Accessibility is vital to Finnish tourism. As a travel destination, Finland is at a disadvantage in comparison with competitors, due to its comparative remoteness. As part of the measures taken to decrease greenhouse gas emissions, new tax-related fees are being discussed. One model discussed within the European Union involves a European flight tax, which would increase alongside the length of the journey. Such a tax would discriminate against areas on the fringes of the European Union.

Finland must oppose flight taxes and any other taxes based on the length of the journey undertaken, which discriminate against frontier regions such as Finland.

3.2. Improving accessibility

Finland is a remote country with a large territory. Good connections are vital to tourism in Finland. Public roads must be improved and developed to take account of the needs of the tourism industry too. Improving the operational preconditions for railway and air traffic plays a key role in promoting tourism to Finland.

3.2.1 Promoting railway traffic

Not all of Finland's rail network is up-to-date. Reducing carbon dioxide emissions will emphasise the importance to tourism of an electrified railway network.

As the rapid rail link between Helsinki and St. Petersburg opens in 2011, Finland's possibilities for attracting more Russian travellers will improve. Completion of the Ring Rail Line that links Helsinki-Vantaa Airport with the railway network will enhance the fluency of travel. A bottleneck will be formed by feeder traffic from the Helsinki Main Railway Station and Tikkurila Station to long-distance trains bound for other parts of Finland.

Traffic arrangements for the Helsinki Main Railway Station and Tikkurila Station must be improved in order to facilitate fluent feeder traffic to and from Helsinki-Vantaa Airport, alongside feeder traffic to other parts of Finland.

3.2.2 Promoting air traffic

Improving the operational preconditions of air traffic is essential with respect to inbound tourism to Finland. The Government must create the prerequisites for facilitating the growth of both regular airline and chartered services. When a route is first opened, air

traffic is not necessarily profitable enough. Within the limits of EU regulations, the Government can provide support for the opening of new routes, and their marketing, in various ways.

Such support will open up new business opportunities for tourism industry businesses, while creating new jobs and generating tax revenues. For instance, the 180 travellers on board a single charter plane would leave some 135,000 euro in Finland, representing tax revenues to the state of 35,000 euro, provided that the travellers remain for four days in Finland.

As an example, Kiruna in Sweden has lowered airport fees on several occasions over the years, thus enhancing its competitiveness in relation to Finnish Lapland. These fee reductions have applied to both domestic and international new routes, varying between 20 and 100 per cent depending on the fee. The maximum duration of these reductions is 60 months and is also subject to other terms and conditions.

Regional Councils can support airline marketing for a maximum period of two years. These subsidies must not compensate for the costs of operating air traffic, but must be targeted at route marketing.

Airport fees must be maintained on an internationally competitive level. They must be lowered for a fixed period in order to establish new routes to Finland. Marketing of routes must be supported in order to attract new travellers to Finland.

3.3 Promoting year-round activity

Due to Finland's climate, many of its tourism industries are of a seasonal nature. The problem with the winter season is that, particularly during the week of the school winter holidays in Southern Finland, demand for travel services exceeds supply. In addition, trains have insufficient capacity. Spreading the school winter holidays more evenly between weeks 8–10 in February-March, and introducing two new holiday weeks (weeks 7 in February and 11 in March), would enhance the possibilities of tourism industry businesses to offer better experiences for customers and would improve the fluency of railway traffic in particular.

The season for companies offering summer travel services is short and mistimed in part. In other parts of Europe, the peak holiday season is in July, and August in particular. However, in Finland school begins in mid-August, which in practice compels many summer travel destinations to close down.

Summer travel destinations close down on the one hand because seasonal workforce largely comprises students and, on the other, because the Finnish holidays are over. The number of international customers is not sufficiently high to facilitate profitable business operations. The fact that many companies offering summer travel services close down during the high

season in Europe undermines the attractiveness of Finland as a tourist destination, thereby weakening the profitability of companies and reducing tax revenues.

This situation would improve markedly if the summer holidays were postponed by two weeks. Such a development would also have the benefit of Finns being on holiday at the same time as other Europeans.

The school winter holidays must be spread more evenly in weeks 8–10 in February–March, and two new holiday weeks (7 in February and 11 in March) must be introduced. School summer holidays must be postponed by two weeks to begin in mid-June and to end at the end of August.

<i>Objective</i>	3.1 Development of taxation
<i>Measures</i>	<i>Responsibility</i>
To maintain value-added taxation and other forms of taxes on consumption on a competitive level on a European scale.	The Government, Ministry of Finance
Electricity tax on tourism industry businesses lowered to equal that of industrial companies. Finland's energy taxation must be maintained at competitive levels in comparison with major competing countries.	The Government, Ministry of Finance
To promote the utilisation of energy efficiency and environmental technologies through tax-related and other incentives.	Ministry of Employment and the Economy, Ministry of the Environment, Ministry of Finance
To oppose flight taxes and any other taxes based on length of journey and thereby discriminating against frontier regions such as Finland.	The Government

<i>Objective</i>	3.2. Improving accessibility
<i>Measures</i>	<i>Responsibility</i>
<i>Railway traffic</i>	
To improve the traffic arrangements of the Helsinki Main Railway Station and Tikkurila Station in order to facilitate fluent feeder traffic to and from Helsinki-Vantaa Airport, alongside feeder traffic to other parts of Finland.	VR, the Ministry of Transport and Communications, Finnish Transport Agency/ the Government
To implement the required investments in the railway network in order to speed up connections to Lapland and Finnish Lakeland.	Finnish Transport Agency
<i>Air traffic</i>	
To promote regular airline services and chartered services (charter and part-charter)	In the first instance, entrepreneurs and regional organisations are responsible for the development of air traffic. However, the public sector has the means available to support the opening and marketing of new routes (see below).
Airport fees lowered for a fixed period for new routes, in order to establish them in Finland. Airport fees to be maintained at an internationally competitive level.	Finavia
To utilise airline marketing subsidies (2 years) in marketing new routes, in order to attract new travellers to Finland.	Regional Councils, municipalities, enterprises and chambers of commerce can allocate support.

<i>Objective</i>	3.3 Promoting year-round tourism activity	
<i>Measures</i>		<i>Responsibility</i>
Spread of school winter holidays more evenly during weeks 8–10 in February–March and introducing two new holiday weeks (week 7 in February and week 11 in March).		Ministry of Education and Culture
Postponing school summer holidays by two weeks to start in mid-June and end at the end of August.		Ministry of Education and Culture

MONITORING OF THE TOURISM STRATEGY

The Ministry of Employment and the Economy will appoint a working group comprising representatives of the tourism industry to monitor the implementation of the tourism strategy. If the Government decides to implement the Strategic Programme for Tourism, a Programme Director and high-level Advisory Council will be appointed to monitor not only the programme, but also the implementation of tourism strategy measures. The working group will convene at least twice a year to review the implementation of measures presented in the Tourism Strategy. The frequency of Council meetings will depend on the role set down for the Council in the Strategic Programme for Tourism and the planned frequency of meetings.

Implementation of the Tourism Strategy will be monitored and presented in an annual tourism seminar on topical issues, arranged by the Ministry of Employment and the Economy. Updates to the Tourism Strategy will remain valid for four years at a time.

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- Northern Karelia Tourism Strategy 2007–2013 (2007)
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- Country brand index 2005, 2006, 2007, 2008; FutureBrand
- Valuable Experiences – National Strategy for the Tourism Industry (2007) / Norway
- New Zealand tourism strategy 2015 (2007)
- Building a national tourism strategy – a framework for federal/provincial/territorial collaboration / Canada

APPENDICES

STATISTICS

Changes to public funding of national tourist boards in the Nordic countries 2008–2010

In national currency (1000)					
	2008	2009	2010*	Change 2009–2010, abs.	Change 2009–2010, %
Denmark (DKK)	148,300	117,300	117,300	0	0
Finland (EUR)	16,257	14,800	9,779	-5,021	-33.9%
Norway (NOK)	215,000	235,000	252,000	17,000	7.2%
Sweden (SEK)	99,763	110,073	150,000	39,927	36.3%
In euro (1000)					
	2008	2009	2010*	Change 2009–2010, abs.	Change 2009–2010, %
Denmark	19,890	15,753	15,759	6	0
Finland	16,257	14,800	9,779	-5,021	-33.9%
Norway	26,144	26,925	31,235	4,309	16.0%
Sweden	10,376	10,366	15,320	4,954	47.8%
Exchange rate to euro (Bank of Finland): *average for the year, ** 18 February 2010					
	2008*		2009*	2010**	
DKK	7.456		7.4462	7.4432	
NOK	8.2237		8.7278	8.068	
SEK	9.6152		10.6191	9.7913	

Source: National tourist boards of each country (Compiled by Tom Ylkänen, Finnish Tourist Board, 18 February 2010)

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