



Norwegian Ministry
of Trade, Industry and Fisheries

Summary

Meld. St. 19 (2016–2017) Report to the Storting (white paper)

Experiencing Norway – a unique adventure





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Introduction, summary and policy measures

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*Recommendation of the Ministry of Trade, Industry and Fisheries of 17 March 2017,
approved in the Council of State the same day.
(The Solberg Government)*

1 Introduction and summary

Tourism is one of the world's fastest-growing industries. Increased globalisation provides new opportunities for expansion in the Norwegian tourism and hospitality industry. This leads to more jobs and local development, not least in municipalities in the outlying districts. Norway features spectacular natural surroundings, a wide array of cultural monuments and a cultural life that is attracting international attention in a growing number of areas.

The Government's Sundvolden Declaration, 2013

1.1 Introduction

The Norwegian tourism industry had another record year in 2016, following strong growth in the number of visitors in 2015. Figures compiled by Statistics Norway show a clear increase in the number of overnight stays in both the winter and summer seasons. While it remains the case that a majority of the travellers are from Norway, the greatest increase is attributable to those from abroad. Average annual

growth in the number of foreign visitors to Norway has exceeded the international average since 2010.¹ The tourism industry accounted for just over 4 % of value creation and almost 9 % of employment in the Norwegian business community in 2015.² Nearly 160 000 people work in the tourism industry.

One reason for the positive trend in visitor numbers in recent years is a weaker Norwegian currency, the *krone*. The exchange rate for the *krone* has strengthened Norway's competitiveness on a pure cost basis and has increased the purchasing power of tourists who choose Norway as a destination. The weakening of the *krone* has also made foreign travel more expensive for Norwegians. The number of overnight hotel stays by foreign visitors rose 22 % from July 2013 to July 2015, a period in which the *krone* weakened by 17 %.

However, the exchange rate alone does not explain the growth in visitors in recent years. Long-term promotion of Norway as a destination has been another growth factor. In addition, the tourist industry's determined efforts to spur product development, cooperation and training have helped boost visitor numbers. The tourism industry has taken advantage of the opportunities inherent in digitalisation and enhanced its productivity by such means as streamlining work processes.

Today's tourism situation in Norway is a good starting point for developing the tourism industry. Projections of strong growth in the number of people travelling internationally suggest that Norway could see a significant rise in the number of foreign visitors in the coming decade. Few other industries, if any, can point to such potential demand growth. The tourism industry could thus become an important force for creating new jobs, including additional year-round jobs.

¹ In the 2010–2015 period, Norway experienced average growth of 6.6 %, against 4.8 % growth internationally. Figures from Statistics Norway and the World Tourism Organization (UNWTO).

² Measured as a percentage of gross mainland production in the private sector. Iversen, Løge, Jakobsen, Sandvik (2015). *Verdiskapingsanalyse av reiselivsnæringen i Norge – utvikling og fremtidspotensial* (Analysis of tourism industry value creation in Norway – development and future potential), Menon Economics, Oslo.

Already, the tourism industry is a major employer of young people and people with immigrant backgrounds.

The tourism industry faces a number of challenges, however. An increased number of travellers puts pressure on the natural environment and may also affect local communities. Additionally, productivity and profitability in the tourism industry may be undermined by inadequate coordination – as when local projects and services of collective benefit, of interest to a limited number of actors, are insufficient. Responsibility for addressing such challenges lies primarily with the tourism industry itself. The industry points to a variety of examples that indicate its commitment to providing good solutions. Operators and other industry participants have been creating high-quality, tailor-made and competitively priced products; the industry has also become both more cooperative and productive.

The Government is submitting this white paper on Norway's tourism industry in order to describe recent developments in tourism and to outline opportunities and challenges faced by the industry. The white paper lays out the Government's overall policy for the tourism industry, including the ways in which the Government will strengthen the foundation for the industry's development in the longer term.

1.2 The Government's policy for the tourism industry

The overarching objective of Norwegian industrial policy is to maximise value creation in the Norwegian economy within a sustainable framework. Increased value creation and profitability are likewise key aims of the Government's tourism industry policy, and these must be achieved sustainably. To achieve these objectives, the Government will focus its efforts in five areas.

Good general framework conditions

The Government facilitates value creation and profitability in the tourism industry primarily by establishing good framework conditions for business activity in general. To improve Norwegian competitiveness,

the Government is prioritising tax and fee relief for Norwegian companies as well as industrial research funding and faster road and rail construction. The Government focuses on simplification and digitalisation, so companies can spend less time on fulfilling their reporting duties and following regulations, and more time creating value and jobs. As the Government amends framework conditions – including the inheritance tax, the wealth tax, the Working Environment Act and tender regulations, all with an eye to strengthening the business community – the tourism industry is one beneficiary. Elimination of the inheritance tax has helped to smooth generational transitions in family-owned businesses, and was an important simplifying measure for many actors in the tourism industry.

The Government will pursue additional measures in areas of special importance to the tourism industry.

In accordance with the Storting's agreement on a tax reform, the Government will continue its work reducing the wealth tax. The gradual reduction in the wealth tax is helping ease the tax burden on the owners of many Norwegian companies. The Government aims to further increase the valuation discount for shares and working assets. For the central government budget for 2018 the Government intends to propose wealth tax relief for hotels and other accommodation establishments by significantly increasing the valuation discount.

The tourism industry is subject to various kinds of supervision whose overall effect can be improved through better planning, risk assessment and implementation. The Government insists that the purpose of supervisory practices be easy to communicate to the industry, and that implementation be adapted to the industry's needs. The Government will therefore map supervisory practices involving the tourism industry in order to create a knowledge base encompassing the design, extent and effect of such supervision. The information obtained will provide a basis for considering potential new measures.

In accordance with the white paper *Digital Agenda for Norway* (Meld. St. 27 (2015–2016)), the Government will encourage the business community to exploit opportunities associated with digitalisation. The fact that the public sector communicates with the business

community increasingly through digital channels will benefit the tourism industry's many small actors.

A sustainable tourism industry

Sustainability must be the basis for further development of the tourism industry. The industry must assume a long-term perspective in managing its resources. Doing so will give tourism industry participants a framework for decision-making and setting priorities, whether local, regional or national.

It is in the tourism industry's interest to be part of developments that promote environmental, social and economic values. Sustainable development can give local communities a stake in the growth of tourism in their area.

In order to achieve national and international environmental goals, the Norwegian tourism industry must base its activities on sustainability and environmental considerations. Companies and destinations that invest in eco-labelling help the environment, but also help ensure their own future. Norway's international reputation for sustainability and environmental commitment creates certain expectations of Norway as a destination.³ To meet such expectations, the parties involved must contribute to the industry's development in a sustainable direction.

Nature is a significant aspect of what the Norwegian tourism industry markets. Much of the industry bases its products on the natural environment, and an increasing number of people will experience Norway through activities that take place outdoors. Over time, increased traffic and crowding could exacerbate wear and tear in natural areas, undermining the quality of the tourism product. For visitors, this could diminish the quality of the experience and even affect safety.

The Government will promote management of human traffic in nature by providing information, signage and simple infrastructure. As part of this effort, the Government will market a selection of pre-

³ GfK Public Affairs & Corporate Communications, 2014. *The Anholt-GfK Roper Nation Brands Index SM 2014 Report*.

pared hiking trails as national hiking trails, on the model of Norway's National Tourist Routes for roads. The objective is to make the trails sustainable and more accessible, and thus attractive for travel and business activity.

Strengthened coordination

The tourism industry comprises many companies active in different parts of the industry. Operating alone, few of these can provide a comprehensive product to customers; they are dependent on cooperation with others. If comprehensive tourism products are to become more widely available in the market, effective coordination will be needed across sectors and regions within the tourism industry. Cooperation within the industry as well as cooperation with local and regional administrative bodies and with other industries will be needed to further develop Norwegian destinations and tourism products.

The Government has facilitated consolidation of the country's tourism boards into larger and fewer entities. The tourism industry is now divided into six regional tourism boards. The new tourism industry structure can serve industry participants better and more efficiently than before; it may also contribute to increased profitability.

The successful development of strong destinations depends on effective, purposeful cooperation between the tourism industry and local actors such as municipalities, county authorities and volunteer groups. Resolving many of the tourism industry's challenges – including the production and funding of specific projects and services of collective benefit – will require cooperation by multiple parties. Such products of collective benefit affect a destination's competitiveness, and include destination marketing as well as products that benefit visitors at the destination, such as ski trails. Developed, accessible goods and services of collective benefit can make a destination more attractive, resulting in increased revenue and profitability for local businesses. Conversely, a lack of such products can have the effect of weakening local tourism products.

Collaboration has proved crucial in setting up funding mechanisms for projects that promote collective benefits. There is no blue-

print for creating collective benefits at a destination. The norm should be that those who profit or have an interest in a particular product or service contribute to it financially. This may apply to companies, municipalities or other local actors.

The new structure for regional tourism boards provides the industry with a sound basis for improved coordination. The regional boards can help local actors resolve challenges related to the funding of collectively beneficial projects and services by discouraging freeloaders and assisting in the distribution of gains arising from cooperation between participants. At an appropriate time, the Government will evaluate the effects of the new structure on addressing these challenges.

In developing good tourism products, it is important to cooperate with other industries. The cultural affairs sector is an important resource for tourism products, in that cultural experiences help increase the value of Norway as a destination, thereby enhancing value creation in the tourism industry. It is important to highlight the added value of increased cooperation between culture and tourism and to encourage knowledge acquisition. The Government will develop a strategy for culture and tourism, with emphasis on cultural tourism. Collaboration between Norway's cultural and creative industries on the one hand and its tourism industry on the other could increase the public draw of cultural events and the diversity of experiences available to the tourism industry. More cooperation may result in added value for both sides. To facilitate improved cooperation, the Government will establish a cooperation council for culture and tourism modelled on the Industrial Policy Council for the Cultural and Creative Industries. To improve coordination between the different products, the Government will look into the possibility of establishing an online nationwide cultural calendar, possibly to be implemented as part of visitnorway.com's existing system.

The Government has submitted a separate strategy on rural tourism based on agriculture, often referred to as *agritourism*. The Government will help to ensure that experiences and activities related to agriculture and reindeer herding contribute to Norway's development as an attractive destination.

Promoting Norway as a destination

On behalf of the Ministry of Trade, Industry and Fisheries, Innovation Norway is responsible for promoting Norway as a destination. In joint campaigns with the tourism industry, Innovation Norway funds broad promotional marketing (*generic marketing*) while individual companies pay their own sales-generating parts of the campaigns. *Visitnorway.com* is Norway's official tourism portal. The portal presents content that generates consumer interest in experiencing Norway; it is also a response channel for campaigns, directing consumers to websites that highlight specific types of experiences and offers.

Several factors affect interest in Norway as a destination. Innovation Norway's promotional activities are well documented, but better analysis of their impact is required. The Government will therefore initiate a project to measure the effect of Innovation Norway's promotional work on value creation in the tourism industry.

The work of promoting Norway as a destination should be organised so as to maximise total value creation. The Government sees no basis for concluding that today's organisation – with Innovation Norway responsible for promoting Norway – is ineffective. It is the Government's wish therefore that Innovation Norway retain responsibility for promoting Norway as a destination.

During the next overall evaluation of Innovation Norway, the Government will look at the synergies achieved between Innovation Norway's promotion of Norway as a destination and the organisation's other work. This review, in conjunction with stronger analysis of the effects of promoting Norway as a destination, will provide a basis for considering Innovation Norway's engagement at a later date.

Knowledge and expertise in tourism

Knowledge and expertise in the tourism industry are important for making correct decisions at different levels and for developing innovative and forward-looking tourism products.

There are several ways to make the tourism industry more knowledgeable. Educational programmes and research and develop-

ment (R&D) are among the most important. Innovation occurs largely on the basis of market impulses, knowledge gained from experience and development projects involving the use of new technology. There is reason to believe that the potential for R&D-based innovation is rising as the industry becomes more knowledge-based and more reliant on digital technology.

The tourism industry, like all other industries, can avail itself of general support programmes tied to research, development and innovation. The Government also favours continued research on tourism in particular, with emphasis on topics defined by the industry itself.

1.3 Input to the white paper

In producing this white paper, the Ministry of Trade, Industry and Fisheries gathered comments, knowledge and information from the industry and other relevant actors. In 2015, the Minister of Trade, Industry and Fisheries held input meetings in Beitostølen, Oslo, Kristiansand, Loen, Bergen and Tromsø. Tourism industry representatives participated in these meetings. A number of actors also submitted written comments on a variety of topics.

Some of the input received by the Ministry of Trade, Industry and Fisheries concerned *general framework conditions*, such as policy framework stability, increased attention to tourism in transport policy and greater emphasis on the importance of tourism in regional policy.

Many commenters expressed a desire for more focus on, and awareness of, *sustainable development* of and within the tourism industry.

There were also proposals relating to *organisation*, including calls for more focus on cluster activity in the tourism industry, proposals for future funding of regional tourism boards and improved interaction between different policy areas. Comments on *quality labelling* included proposals for a national quality assurance scheme, a national labelling system for adventure tourism companies, a certification system for guides, and a programme to improve safety in connection with nature-based adventures and experiences.

With regard to funding for projects and services of collective *benefit*, comments were received on either a statutory funding scheme or new attempts at voluntary schemes.

As pertains to *marketing*, several commenters sought increased public funding and improved involvement by the tourism industry in promotional planning.

Several parties submitted comments relating to *knowledge and expertise*, including a desire for further development of existing educational programmes, more funds earmarked for tourism research and adaptation of existing policy instruments to benefit service industries. A need for better tourism-related statistics related was also noted.

1.4 Content of the white paper

Chapter 2 introduces various parties active in Norwegian tourism. The chapter includes a description of tourists within and to Norway, as well as of tourism industry actors and some of the industry's supporters in the public sector. Chapter 3 elucidates important global trends in tourism. The trends with a major impact on the tourism industry, such as sustainability and the sharing economy, receive extra discussion. The development potential for different segments of the tourism industry is also examined. Chapter 4 provides a broad description of the tourism industry's resource base by category – city, culture or nature – and of the opportunities and challenges that the tourism industry faces in each category area.

In chapter 5, the Government highlights key issues related to the Norwegian tourism industry. The Government facilitates value creation and profitability in the tourism industry primarily by establishing sound framework conditions for business activity in general. However, the Government is also pursuing measures that target this industry in particular due to the specific challenges it faces. Chapter 5 explains the Government's policy for the tourism industry and how it can strengthen the industry's foundation for development in the longer run.

Chapter 6, the concluding chapter, sets out the financial and administrative consequences of the white paper's content.

4 City, culture and nature – resources for tourism

4.5 Summary

Cities, nature and culture are key resources to the Norwegian tourism product.

- The Government will encourage sustainable use of cultural heritage sites for tourism. There is an ambition to establish world heritage centres at all of Norway's World Heritage Sites.
- The Government will prepare a strategy for culture and tourism, focusing on cultural tourism.
- The Government will establish a cooperation council for culture and tourism modelled on the Industrial Policy Council for the Cultural and Creative Industries.
- The Government will improve coordination between cultural and tourism products by studying the possibility of establishing a nationwide online cultural calendar.
- The Government has submitted a separate strategy focusing on agritourism. The Government will help ensure that experiences and activities related to agriculture and reindeer herding contribute to Norway's development as an attractive destination.
- The Government has presented a branding strategy for Norway's national parks. The Government will help ensure that the strategy is used to make the national parks attractive outdoor recreation areas and destinations.
- The Government will work to introduce new registration and reporting rules related to coastal tourist fishing (recreational fishing). The Government has proposed amending legislation and regulations that govern tourist-oriented fishing companies. The

Government proposes, among other things, to increase the export quota for tourists fishing under the direction of a registered tourist fishing company.

- The Government will promote management of human traffic in nature, primarily by providing information, signage, labelling and simple infrastructure, in addition to other measures that have a guiding effect.
- The Government will contribute to the work of adapting trails for sustainable use. The trails in question will be developed and promoted as national hiking trails.
- The Government will help establish favourable policy frameworks in which to further develop sustainable tourism in Svalbard.
- The Government will consider whether regulations on the use of local food and beverage products in tourism can be tailored to better meet the needs of the tourism industry in Svalbard.
- The Government will continuously assess emergency preparedness in Svalbard in light of the activities taking place in the archipelago as well as changes in the risk situation.

5 Key issues

5.6 Summary

The main way the Government helps provide sound framework conditions for the tourism industry is to establish such conditions for business activity in general, but the Government also carries out certain targeted measures.

- The Government will further increase the valuation discount for shares and working assets, in accordance with the Storting's agreement on a tax reform.
- The Government intends to propose a wealth tax relief measure for hotels and other accommodation establishments by significantly increasing the valuation discount in the central government budget for 2018.
- The Government will map public-sector supervisory practices involving the tourism industry in order to create a knowledge base encompassing the design, extent and effect of such oversight. This mapping will provide a basis for considering potential measures to reduce the overall supervisory burden on the industry.
- The Government is working to ensure that public-sector communication with the business community increasingly occurs via digital channels. Small actors in the tourism industry will be among those to benefit.
- The Government will follow up the UN sustainable development goals (SDG) with regard to sustainable tourism, in accordance with Agenda 2030.
- The Government will facilitate efforts by local authorities, in cooperation with other relevant actors, to have the cruise industry reduce greenhouse gas emissions and local pollution.

- The Government will, at an appropriate time, evaluate the effect of the new structure for regional tourism boards on resolving challenges associated with local projects and services of collective benefit. The new structure for regional tourism boards provides a good starting point for the industry to work together towards a common effort.
- The Government extends Innovation Norway’s responsibility for promoting Norway as a destination. Innovation Norway will carry out its responsibility in cooperation with the tourism industry.
- The Government will initiate a project to measure the impact of government-funded marketing on value creation in the tourism industry.
- The Government, in the next comprehensive evaluation of Innovation Norway, will examine the synergies achieved between Innovation Norway’s promotion of Norway as a destination and the organisation’s other work.
- The Government will assist in generating additional statistics about Norwegian tourism in order to better document the tourism industry’s contribution to the Norwegian economy.
- The Government retains its commitment to Innovation Norway as an important partner of the tourism industry as regards expertise, development and marketing. Its primary task is government-funded marketing of Norwegian tourism. Training and development activities can be undertaken by other providers in the market as well. The tourism industry, like all others, is able to avail itself of general support programmes for research, development and innovation.
- The Government continues to support tourism research, emphasising topics defined by the industry itself, in cooperation with research communities and the Research Council of Norway.

Petition resolutions requested by the Storting

In addition to adopting the policy measures contained in the Government's white paper on tourism, the Storting adopted four petition resolutions seeking additional measures during its consideration of the white paper in May 2017.

I

The Storting asks the Government to draw up a strategy, in cooperation with the tourism industry, for expansion of the tourism industry's season.

II

The Storting asks the Government to reduce the reporting burden for individuals and businesses, and to ensure compliance with the 'only once' principle by submitting a strategy on common information management and increased use of machine-to-machine communication in the public sector.

III

The Storting asks the Government to prepare and submit to the Storting a plan to eliminate the maintenance backlog for cultural heritage sites in Norway.

IV

The Storting asks the Government to initiate a project to increase digital expertise across the full spectrum of parties active in Norwegian tourism.



Published by:
Norwegian Ministry of Trade, Industry and Fisheries

Cover illustration:
Northern lights at Reine, Lofoten.
Photo: Alex Conu - visitnorway.com.

