

TOUR INTERMEDIARIES AND THE REGIONAL TOURISM ECONOMY: THE CASE
OF JAPANESE TOUR DISTRIBUTION IN BRITISH COLUMBIA

by

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Abstract

The spatial pattern of tourist travel is of concern to regions attempting to plan for a tourist industry. Planning of the industry has generally focused on allocating elements of supply such as location of hotels and entertainment facilities to create a tourism space economy. Yet, planning for the tourism industry must also examine elements influencing demand such as promotion, marketing and the role of tour intermediation (travel agencies, tour wholesaling and tour operation) in order to develop a more informed tourism policy.

The rôle of intermediary corporations is particularly important to regional tourism economies due to their organizational control over the flow of tourists and their impacts. Intermediaries serve to negotiate and direct the flow of tourists from market regions into and within host regions. Intermediary ability to influence the spatial flow of tourists necessitates their involvement in the planning process. This thesis examines the extent and significance of intermediary control over the spatial pattern of tourist travel.

Because international tourism is sold through a multinational network of intermediary firms in market and host regions, an understanding of market structure is necessary to analyze tour distribution patterns. Techniques elicited from the Industrial Organization Model provides methods to outline organizational and structural characteristics of an industry. This model has been used to apply concepts of relevant market, industry size, seller concentration, scale economies and product

differentiation to the Japanese organized tour market to British Columbia.

It was found, using this analysis, that Japanese based intermediary corporations have significant sales control over the tour distribution process for Japanese organized tourists to British Columbia. In 1983, over 53 per cent of these tourists are controlled by six firms which sell, organize, distribute and guide or contract to guide. Of the remaining 47 per cent, Japanese corporations take a central role in deciding tour programmes. Japanese intermediary corporations play a dominant role in the distribution of tourists throughout the B.C. economy.

The influence of intermediary corporations point to a number of policy implications. Tourism planning cannot stop at the allocation and promotion of tourist facilities. Intermediaries have the ability to selectively direct large groups of tourists to and within regions. On a regional and local level, strategies should be developed with intermediary involvement in the planning process. Without this involvement, planning strategies would be less precise in their attempts to develop policies to influence the spatial flow of tourists.

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I. TOUR INTERMEDIATION AND THE REGIONAL ECONOMY

1. INTRODUCTION

International tourism is one of the largest and fastest growing industries. The industry is just beginning to gain recognition and study as it plays a more dominant role in the world economy. The rapid growth of tourism trade has fostered the need to understand and rationalise the industry. Furthermore, tourist trade is going through a number of organizational and structural changes affecting tourist patterns and their impacts. Understanding the patterns of tourist travel is essential to planners attempting to plan for a tourism economy.

The forces influencing the distribution of tourists into and within destination regions is of increasing interest to policymakers attempting to determine elements influencing tourism impacts. An increasing interdependence of international tourism trade has grown from the rise of multi-national tour intermediaries. Tour intermediaries (retailers, wholesalers and operators) have become key tour organizing forces in some markets influencing the distribution patterns of tourists through host regions.

One distribution system going under increasing industrialization is the Japanese travel market. The rise of the Pacific economy over the last three decades has been paralleled by one of the fastest overseas growth rates ever, especially to western Canada. This has fueled the growth of strong intermediary distribution channels for the flow of Japanese travellers abroad. An examination of distribution

channels would allow an understanding of their influence over a host region.

2. PROBLEM STATEMENT

The purpose of this thesis is to examine the nature of international tourism trade ties to Canada, specifically the role of intermediary corporations negotiating the direction and flow of tourists from Japan to B.C. Research will focus on intermediary organizational influence ¹ on the structural dimensions ² of the B.C. tourism economy.

Changing organizational relationships and resulting structure of the tourism trade must be understood in order to direct effective policies towards the equitable growth of tourism in British Columbia. Therefore, this thesis will attempt to delineate the organizational influences of the tour intermediary corporations handling the Japanese market. The following research questions will be addressed:

1) To what extent do intermediary corporations influence the flow of Japanese tourists into and within the B.C. tourism economy?

This will lead to two further questions relevant to planning:

2) What role do tour intermediaries play as agents for host communities and regions? And,

3) What are the broader planning implications of tour intermediation?

¹ Ability to arrange the flow of tourists

² Overall pattern of tourist distribution

3. BACKGROUND AND LITERATURE

Over the last few decades, trade patterns have shifted regionally and sectorally. Regionally, a dramatic shift in trade flows from the Atlantic to the Pacific has altered many economies. In addition, changing forms of trade in new sectors has had further effects in many regional economies. British Columbia is central to both of these trends, its major trade partners are from the Pacific region and its growing industries, tourism and energy, reflect changing patterns.

Tourism is rapidly becoming the world's largest industry, second only to world oil trade. Between 1972 and 1981 international travel receipts rose 328 per cent to \$106 billion US. The number of international trips increased 60 per cent to 280 million and the World Tourism Organization (WTO) forecasts a doubling of current statistics by 1990.

Nationally, Canada's real rate of industrial growth at 3.7 per cent was surpassed by the 4.3 per cent increase in tourism receipts (CGOT 1983). Provincially, tourism is becoming an increasingly important component of the B.C. economy. Over the last decade, there has been a near doubling of revenues. As traditional industry sectors such as minning and logging have stagnated or declined, tourism has grown steadily to become the province's third largest (table 1.1). Excluding oil and gas revenues from minning, tourism would be the second largest industry.

Of B.C. markets, resident and American visitors are by far the largest accounting for over 75 per cent of volume and

revenues (table 1.2). Overseas markets, although minor in comparison, have been experiencing the most significant changes in the last decade (table 1.3, 1.4). Representing four per cent of volume and eight per cent of revenues, the rapid growth of international travel is slowly becoming evident. Of this growth to B.C., there has been a trend towards increasing Pacific trade with an almost equal drop in Atlantic traffic. Two prime markets have helped fuel this trend, the Japanese and Hong Kong visitors, which have both experienced rapid rates of growth to western Canada.

The significant changes in economic growth rates among industry and within markets point to a need to understand their effects on the B.C. economy. One area of study which has not been thoroughly addressed globally or locally is the effect of international tourism trade industrialization to regional economies.

Tourism's reputation as a growing international industry, employment generator and means to diversify the economy has stimulated active promotion and development. However, the absolute rate and magnitude of growth potential of tourism has necessitated policy guidance. The rate and magnitude of growth have already caused widespread economic, social and environmental effects altering the fabric of many regions (Krippendorf 1982, EIU 1973).

Table 1.1
Inter-Industry Growth in B.C.

Year	Fishing ¹ (Million)	Agriculture ² (Million)	Tourism ³ (Million)	Mining ⁴ (Million)	Oil & Gas ⁵ (Million)	Forestry ⁶ (Million)
1969	85.8	203.4	376.7	383.3	86.1	1,846
1974	220.5	407.8	869	1032.9	231.3	3,489
1979	517.5	653.9	1,650	2128.2	738.8	7,164
1982	526.9	900.4	2,010	1678.1	912.9	6,303 (1983)
% Annual Growth	47.23	34.05	41.12	33.6	81.56	26.26

¹Wholesale marketed value, including halibut landing. Federal Dept. of Fish and Oceans.

²Farm cash receipts, Statistics Canada 21-001 Annual.

³Ministry of Tourism Annual Reports, N.B. 46% Resident Derived Revenue, 27% Rest of Canada, 27% Foreign.

⁴Copper, zinc, molybdenum, coal, others. Mining statistics usually include oil & gas revenues but are broken down in this case. Ministry of Energy, Mines and Petroleum Resources, Annual.

⁵Crude oil sales, natural gas to pipe. Ministry of Energy, Mines and Petroleum Resources, Annual.

⁶Principal statistics of wood industries (lumber, plywood, veneer, doors, sashes, and singles) + principal stats. of pulp and paper. Statistics Canada 25-202 Annual.

Table 1.2

Travel Markets in British Columbia

	Number of Visitors ¹		% 1971 Volume	% 1982 Volume	% Annual Growth	Visitor Revenue 1982 ² (million)	% of Visitor Revenue ² 1982
	(000) 1971	(000) 1982					
Resident B.C.	2,630	5,550	33	48	9	910	46
Resident Canada	3,038	2,930	38	26	-	570	28
U.S.A.	2,347	2,560	29	22	-	365	18
Overseas	65	440	0.8	4	34	164	8
Total	8,080	11,480		100	4%	2,010	100

¹Statistics Canada 66-201 Annual Travel Between Canada and Other Countries.

²Ministry of Tourism (1983), Tourism Facts 1982.

Table 1.3

Select Overseas Market Growth and Change to B.C. 1972 - 1982

	1972	1974	Number of Person Visits				1982 BC Entries as a % of Canadian Entries	% Growth
			1976	1978	1980	1982		
U.K.	27,597	46,539	55,502	65,584	92,973	85,975	17.1	310
Japan	17,763	33,291	46,280	61,302	68,200	63,907	47.1	351
Germany	7,373	12,465	17,874	24,040	37,821	43,785	20.0	600
Australia	7,914	15,724	20,463	21,448	25,237	23,769	29.0	400
Hong Kong	7,459	10,028	12,631	11,934	13,532	18,897	48.0	220

Source: Statistics Canada 66-001 Annual
Statistics Canada 66-201 Annual

Table 1.4

Percentage of Overseas Visits, One or More Nights to Canada. Select Regions.

	1972	1974	1976	1978	1982	% 1972 1982 Change	(1982) ¹ Average Expenditure Visitor	(1982) ¹ Total Spending (000,000)
U.K.	31.7	29.6	27.2	27.4	24.7	-5.2	337.00	160.6
Germany	8.8	9.6	9.9	10.0	10.7	+1.8	546.10	100.3
Europe	70.9	68.4	66.6	65.2	62.1	-7.8	438.30	468.2
Australia	2.6	3.4	3.6	3.6	3.5	+0.9	479.10	28.6
Japan	4.8	5.6	6.2	7.3	6.7	+1.9	607.50	69.8
Asia + Oceania	14.3	17.3	19.1	21.0	22.6	+7.3	540.00	180.7
Total	85.2	85.7	86.7	86.2	84.7	-0.5	479.70	825.5

¹These are Statistics Canada estimates.

Source: Statistics Canada 66-201.
Statistics Canada 66-001.

As tourism has grown from a part time enterprise to a full-fledged industry in these regions, a number of problems relating to the organization of the industry have stimulated government involvement.

A determined effort to aid and guide tourism development in B.C. did not really begin until a joint federal - provincial \$50 million, five year Tourism Industry Development Agreement (TIDSA) was signed in 1978. This signified, for example, the development of several major projects e.g. Whistler and promotional campaigns e.g. Super-Natural British Columbia.

TIDSA's main objective came from its Department of Regional Economic Expansion (DREE) roots, to achieve more regionally diversified and spatially aggregated growth, paralleling the trend by many countries (Young 1973, OECD 1979:12). TIDSA was implemented through a series of programs which aimed to foster planning, development and organization (DREE 1978).

Accompanying these actions was the establishment of a separate Ministry of Tourism in 1980 to 'promote and guide tourism development'. Since the jurisdiction of tourism is the responsibility of the provinces, the Federal government's Tourism Canada has aided in policy direction, promotion and research. These combined efforts have shown a significant rise in visitors to B.C. and Canada. As a result, there has been spatial, sectoral and structural changes in the B.C. tourism economy influencing the distribution of tourism impacts.

These efforts have all attempted to grasp the forces of an intangible industry. Tourism is best understood if it is viewed

as a tradeable commodity. Traditional export-base and central-place theories view tourism as tertiary and endogenous to a regional economy (Richardson 1973). As a commodity, tourism can be defined as a basic activity by recognizing these basic elements:

- 1) Tourism is an economic good which is constructed through the patterned consumption of a series of services creating a lifestyle experience.
- 2) As an experience good, tourism is productive in its requirement of infrastructure and facilities.
- 3) The consumption of tourism takes place at the point of production. It is therefore a reverse export potentially earning foreign exchange as a basic activity.
- 4) The ultimate sale of tourism 'products' is the result of a number of different methods aiming to create and manipulate the flow of travellers for corporate or regional benefit. The industry is highly competitive and multi-national.
- 5) Tourism, as an industry uses the community and host region as a basic resource, sells it as a commodity and, in the process, affects the lives of everyone.

Tourism products are 'manufactured' through the spatial consumption of travel patterns. The sum of these patterns supports the regional tourism space economy. As regional tourism development and promotion grow, the pattern of tourists is influenced. Resorts are built and regions are promoted to influence spatial tourist travel. Overall, a number of

organizational factors influence the resulting structure of the industry:

1) The tourist industry is ultimately structured through three levels of organization; through locational dynamics of individual service attractions, government planning and promotions and, industry intermediaries. These all serve to organize the spatial flow of tourists through marketing, advertising, and development.

2) Tour service industries are sold through the collective promotion and sale of tourist experiences or through contracts with industry intermediaries (retail travel agents, tour wholesalers and tour operators) who negotiate service contracts to sell a series of tour arrangements to customers.

3) Intermediaries are 'processors' through their formation of tour 'products'. Destination-region services (transport, accomodation, entertainment etc.) are relatively dependent on the actions of intermediaries for their overseas customers. Intermediaries play two particularly important functions: first they are the 'creators' of the tourism product through co-ordinating and marketing practices and second, they are the international brokers of the tourist destination's product.

Following rapid growth in international tourism there has been a trend towards more intermediary organizational control over tourism travel trade. New more efficient transport and communications technologies have enabled the rise in mass travel (EIU 1980, 1981, 1982). Mass travel has been characterized by the

packaged tour which has combined the low cost and psychological security desired by travellers with the corporate desire to process tourism into a more refined commodity (Cohen 1972, Burkhart and Medlik 1975). As a result of these trends, the industry has become more competitive and comprehensive (Britton 1982). Consequently, the industry has evolved through a number of significant changes placing more control of the tourists into the hands of industry intermediaries (IUOTO 1975). Intermediaries have altered industry structure by becoming key organizational middlemen who negotiate the flow of tourists from region to region.

The tourist distribution system between regions is susceptible to various degrees of influence, integration and concentration. Tour intermediary corporations from market regions have natural influence, through retail agents over sales to destination regions. This influence lends itself to integration of the intermediary function (wholesaling, operation) into destination regions which enables them to control the flow of their tourists. This complex relationship has been conceptualized as 'structural dependency' (Roxborough 1979). Destination region services are relatively dependent on market region intermediaries, this is one of the rising inherent characteristics of the tourist trade.

As regions have grown from part-time hosts to a full-fledged tourism economy, the importance of intermediaries for international, especially overseas tourists is pivotal. As regions spatially plan for and invest in tourism, they must also

plan with tour intermediaries to influence the flow of tourists. However, most tourism plans are based on promotional campaigns and specific projects, not on industry organization or tour patterns. This gap reflects a lack of policy and understanding of the complexities of the industry (Antonson 1983). This is now at least partially reflected in the relative erosion of B.C. and Canada's competitive position in the international tourism market (Baille 1980, EIU 1981). Attempts to aid organization have faced cutbacks to enable more development (Pollock 1980, Ference 1983).

One consequence is B.C. tour corporations losing their competitive position to firms, based in market regions, which are extending their control of the tourist into and within B.C. (Sorenson 1983:2). One example is the Japanese travel market to B.C. For more than a decade the B.C. government has spent time and energy developing this trade through promotion, language and hospitality training, etc. in efforts to increase Japanese travel to B.C. It has rationalized and promoted regional tourism development on the growth of such markets (Tourism B.C. 1981:17). However, changes in the organization of intermediaries handling this market have led to the demise of many B.C. tour corporations (Sorenson 1983:2). As a result, tourism industries in B.C. are now more dependent on foreign controlled firms who have a more solidified bargaining position and less of a propensity to distribute the tourist into more than a few, set and refined itineraries.

If British Columbia is to pursue tourist trade as a viable

development option, an understanding of its inherent characteristics, particularly the role of international tour intermediaries is needed to aid development policy. It follows that the planned expansion of B.C.'s tourism economy will face the forces of strong distribution channels. To summarize:

1) The organization of tourist flows is central to the successful plan for a tourism economy. It is the pattern of tourists which influences impacts.

2) Certain markets have strong distribution systems. Highly organized systems can become tourist 'enclaves' controlled by international intermediaries. This reduces not only revenues but also distorts the image of the region. An understanding of the forces of these distribution systems is essential to enable more informed tourism and regional planning.

3) Efforts to develop a tourism economy in B.C. must aim to foster spatial and sectoral dimensions of the industry. Without an organized structure, tourism regions may not receive the type of tourism economy expected.

The next chapter will provide an in-depth overview of the nature of the international tourism industry. This serves to outline the inherent forces within the system. This is followed by a case study of the Japanese travellers and corporations. A review of their rise into the international scene is followed by an evaluation of the industrial structure of the B.C. tourism

economy as it relates to this market.

4. METHODOLOGY

A number of methods could be used to determine the influence of international tour intermediation over the flow of tourists through regional tourism economies. However, an understanding of intermediary influence would be incomplete without understanding the basic forces of market structure. The intermediary function of tour corporations (retailing, distributing, wholesaling, and operating tours) serve to sell B.C. tourism products. A structural analysis of the tour intermediary sector, (i.e., limits of service markets, degree of integration, product differentiation and ultimate ownership) is needed to understand the tectonics of tourism trade.

The role of foreign corporations trading tour products cannot be adequately examined without first looking at market structure. Basic foreign direct investment theory tells us that investment will not occur in industries with pure competition. Investment occurs when a company has a comparative advantage to exploit: technical, access to capital, management, distribution, etc. International trade theory outlines firm behaviour as exporters (or importers) based on their relative advantages in the marketplace (Grubel 1981). Planning for the tourism economy would be imprecise without an analysis of the comparative advantages of competing firms in the marketplace and how this affects a host region. Policy prescription ultimately affects these advantages and firm behaviour. If an industry is to be understood, first a market structure analysis must be conducted.

The Industrial Organization Model provides a number of techniques to elicit information about organizational and structural characteristics of an industry (Bain 1968, Stigler 1968). This model will be used, in part, to apply concepts of relevant market, industry size, seller concentration, scale economies, product differentiation, conduct and performance to the tour intermediary sector hosting the Japanese organized tour market to British Columbia.

5. TECHNIQUES

To determine the parameters for this analysis, observation and consultation with the Canadian Association of Travel Agents: Market Japan provided a list of 22 organized tour products to B.C. This listing was enlarged then narrowed from Tourism Canada's list of 23 packages to Canada and others provided from industry officials (Appendix A) (CGOT 1983b). The study list represents active packages in 1983 and is estimated to represent most Japanese related tour programmes to Western Canada.

An interview schedule was set up to discuss the industrial organization of industry intermediaries handling this market. Firms involved with associated tour programmes were located through listings and discussions with industry representatives. Interviews were structured in an informal fashion to obtain the information required. A set list of questions were outlined for address at each interview (Appendix B). Not all respondents answered nor were asked all questions listed. The primary information sought - seller volume and linkages with other intermediaries was received from at least one representative

company for each tour programme. In many cases, cross checking qualified the data.

This analysis will focus primarily on defining the relevant market and determining size and seller concentration. Information received from interviews has allowed a descriptive overview of these factors to be described.

5.1 Relevant Market

. . . we may define the relevant market as including all sellers in any individual industry (strictly a group of sellers of close-substitute outputs who supply a common group of buyers) and all the buyers to whom they sell....

Bain 1968, 6-7

Buyers are defined as all Japanese organized (group and packaged) tour travellers and sellers those corporations negotiating and arranging their flow to western Canada. Sellers are further defined by function for further analysis. To achieve this, a more narrowed framework must be delineated. This thesis will only examine the Japanese travel market to B.C. Of this market, only organized tour travellers (group and packaged) will be studied. While examining the effects of intermediaries in the Japanese organized tour market, an overview of the independent Japanese traveller can be provided.

Description of the relevant market is an exercise in taxonomy. It provides an outline which enables the determination of other market parameters such as size and concentration. Relevant market data does provide policymakers

with an overview of market players.

5.2 Measurement Of Size

A listing of seller corporations would provide little insight into the nature of trade relationships; the actual size of firms shows relative influence. Size of any enterprise can be calculated through a number of comparative measures such as sales, volume, labour employed, capital employed, value added and capacity. However, selection of size measures is determined by data availability. Confidentiality limits access to most of these measures (1979 Travel Regulation Act). Interviews provided information on organized tour volume handled by each company and inter-company relationships. This measurement was then used to determine seller concentration.

5.3 Seller Concentration

Size and seller concentration among and between firms is central to the purpose of this thesis. This analysis outlines the forces of market structure influencing the distribution of tourists.

Market and size data are combined to provide a more comprehensive view of industry structure. A more accurate picture of concentration can be determined by investigating enterprise and establishment concentration. Establishment concentration refers to ownership integration among enterprises. Establishment integration allows a deeper understanding of the structure of distribution channels.

5.4 Product Differentiation

The variety of products served by sellers is a function of supply and demand forces. However, due to the relative dependence of tourists for advice from sellers (due to the purchase of the product sight-unseen) determination of differentiation is especially important to host regions dependent on intermediaries. Therefore, differentiation will be determined through seller propensity to offer a variety of products.

5.5 Scale Economies

Optimal levels of firm efficiency exert a natural influence over firm size. The various costs of inputs (wholesale service costs- -hotel rates etc. and others- -advertising etc.) influence firm size. A brief outline of influencing factors will be delineated.

6. EXPECTED RESULTS

Intermediaries now have the ability to organize the flow of tourists between regions on a large scale. As a result, it is expected that a significant degree of intermediary influence will be found in the Japanese travel market to B.C. This will point to a need to rationalize the role of international tour intermediaries as part of all regional tourism development plans.

7. JUSTIFICATION FOR THE ANALYSIS

Planners cannot afford to lose sight of the relationship between institutionalized economic power and regional development (Weaver 1984). This power influences the spatial economy and therefore the ultimate growth and future of a region. This analysis rests on the examination of institutional forces involved in the tourist industry as it relates to regional planning.

Few in-depth academic studies have covered the structure of international tour intermediaries and their effects on host regions. Perhaps the best known outlines the nature of distribution systems but does not apply specific analysis to any region and market (WTO 1978). Askari (1971) developed the first analysis on the nature of packaged tours. His contribution, however, was limited to their demand function. In conclusion, he projected that changing organization of the tour industry as a result of packaged tour growth would lead to a need to further study their effects (Askari 1971:43,51). Recent works have shown that changing trends towards tourism industrialization must be studied in order to more accurately develop planning strategies (Vukonic 1982, Lanfant 1980).

It is recognized that this study takes a selective look at a large problem. However, it should contribute to three other general purposes. First, tourism development policy can be more accurately delineated by host regions. Second, this information will add to studies on Canada's role in the changing Pacific economy. Finally, this will also add to a deeper understanding

of the British Columbia economy.

II. AN OVERVIEW OF ORGANIZATION AND STRUCTURAL CHARACTERISTICS OF THE INTERNATIONAL TOURISM INDUSTRY

This chapter examines the distribution system organizing the flow of tourists into host regions. The distribution system involves the actors organizing, promoting and selling tourist regions as an end product. This process requires the creation and/or stimulation of tourist travel patterns through the host region.

The pattern of tourist travel is central to the planning of a tourism economy. The overall organization and structure of the tour industry influences the patterns of tourist travel and their impacts. Planners must be aware of industry structure and its influence over travel patterns. To understand this, we must first examine what the tour product is, how it is organized, promoted and sold.

1. THE TOUR PRODUCT

The trade of tourism products has three distinct characteristics. The product is not identifiable using standard criteria- - 'Super-Natural British Columbia' cannot be categorized in the same fashion as thermal coal- -the product only carries broad geographical and cultural images. Tourism is also geographically fixed in space. As a result, it must be consumed in situ; it is an export in reverse. It follows that the successful export of tourism depends upon its successful representation and distribution from abroad.

Because the tourist industry has no tangible product, it is a unique industry. The static 'tourism plant' elements are

combined into a 'product' which are, in reality, a series of services and images. This product is an outcome of the symbiotic practices employed in marketing and promotion through governments, industry and tour intermediaries. The uniting of a single tourism concept, conveyed through advertising and marketing, elements by which their nature alone may not be related to tourism become tourist attractions once they are processed into consumer goods. This 'processing' influences the spatial flow of tourists into and within regional economies.

In most industries the supplier has relative control over the distribution of his product, its pricing and quality. Tourism differs in two respects; (1) the supplier is not just one industry, it is a whole region and, (2) industries and regions are relatively dependent on an external distribution system for the supply of the international tourist.

Planning for the appropriate form of tourism development in light of these characteristics is even more complex. As a reverse export, host regions are the receptors of market region tourists. However, the sale of the tourism product often occurs in market regions. As regional development plans are fostered, distribution systems organizing the flow of tourists into and within host regions must be understood to direct appropriate policies.

"...Overlooking this essential fact is probably the basic cause for many misunderstandings, disputes and less than essential marketing and development schemes in tourism...."

2. THE INTERNATIONAL TOUR INDUSTRY

The international tourist industry functions as a service linking the tourist, or consumer, to the producer of those goods and services desired by consumers, the destination. It is comprised of two distinct but inextricably linked elements:

1) The static element consists of the destination regions' supply sector, a combination of accommodation, restaurant, transportation and entertainment services which are all part of the culture, geography and image of the region.

Efforts to plan and develop a select tourism space economy have been common in recent years, with the building of tour service elements through destination resorts and scenic drives etc. creating a tourism 'system' (Gunn 1979). This system forms the tourism space economy. However, the pattern of each tourist varies through any one tourist space economy. Tour services are not automatic receptors of tourists.

2) These tour services are relatively dependent upon the dynamic elements influencing demand; marketing, promotion and international sales which influence the direction and flow of tourists within the physically planned space economy of a host region.

Although a pre-planned space economy may be developed, a duality of the industry influences the actual spatial flow of the tourist. This duality is the contrast between what exists, the static elements, and what is promoted, the dynamic elements.

Dynamic elements have particular influence because international tourist products are often bought sight-unseen. The tourist purchases an image in search of an experience. As a result, the marketing and sale of tourism is as important to the region as the spatial planning of the industry.

3. THE SELLING OF THE TOURISM IMAGE

A key element in the 'processing' of tourism for sale depends on stimulating tourist motivation through images (Dann 1981). Images are created by private agencies and public associations to induce the tourist to visit specific areas. Tourists are subject to the 'social engineering' of their expectations influencing travel patterns. As LeFebvre (1972:45) notes, "forms of reality are contrived on the principles of rationality, organization and planning". The definition and construction of these realities by government and private enterprise alters the spatial patterns and actions of the tourist.

...it is possible that images, as perceived by individuals in the travel market, may have as much to do with an area's tourism development success as the more tangible recreation and tourism resources...

Hunt 1975:7

Tourists seek 'reality' in their travels but are inhibited by impenetrable layers of contrived reality. The experience of tourism is like the experience of society; society has been at least partially created by and is an extension of media tools (McLuhan 1964). Tourists seek to get away from it all but, in so doing, are manipulated by planners and organizers of the

tourist trade (McCannell 1976). This, according to Boorstien (1961) is the 'cultural doping' of the tourist. The tourist never leaves the environmental bubble contrived for him: he is a victim of a series of staged pseudo-events that together form the product and sale of tourism. Planning for tourism must coincide with the appropriate creation and sale of tour images. Without this tie, planning would be disfunctional.

4. THE SALE OF TOURISM

Many enterprises providing tourist services do not sell directly to the customer. Consequently, tourist service enterprises must rely on the influences of the distribution system and sales intermediaries such as travel agents, tour operators, reservation services and charter brokers. Their success and profitability does not totally depend upon tour distribution agents, but for international tour customers it is all but mandatory. Intermediaries are thus in a pivotal position to negotiate and direct the flow of the tourist.

The development, promotion and sale of tourism takes place within a multi-tiered framework. Host region federal, provincial, and municipal governments, and private concerns sell tourism. All levels of government become involved in constructing tour images to promote sales enhancing the economic well-being of its region and in organizing the flow of tourists to minimize adverse effects. The tourism sector includes small business, transport companies, accommodation services, etc. Private corporations also construct images to sell tourism to enhance their own economic well-being. These all serve to

influence the distribution system for the tour product.

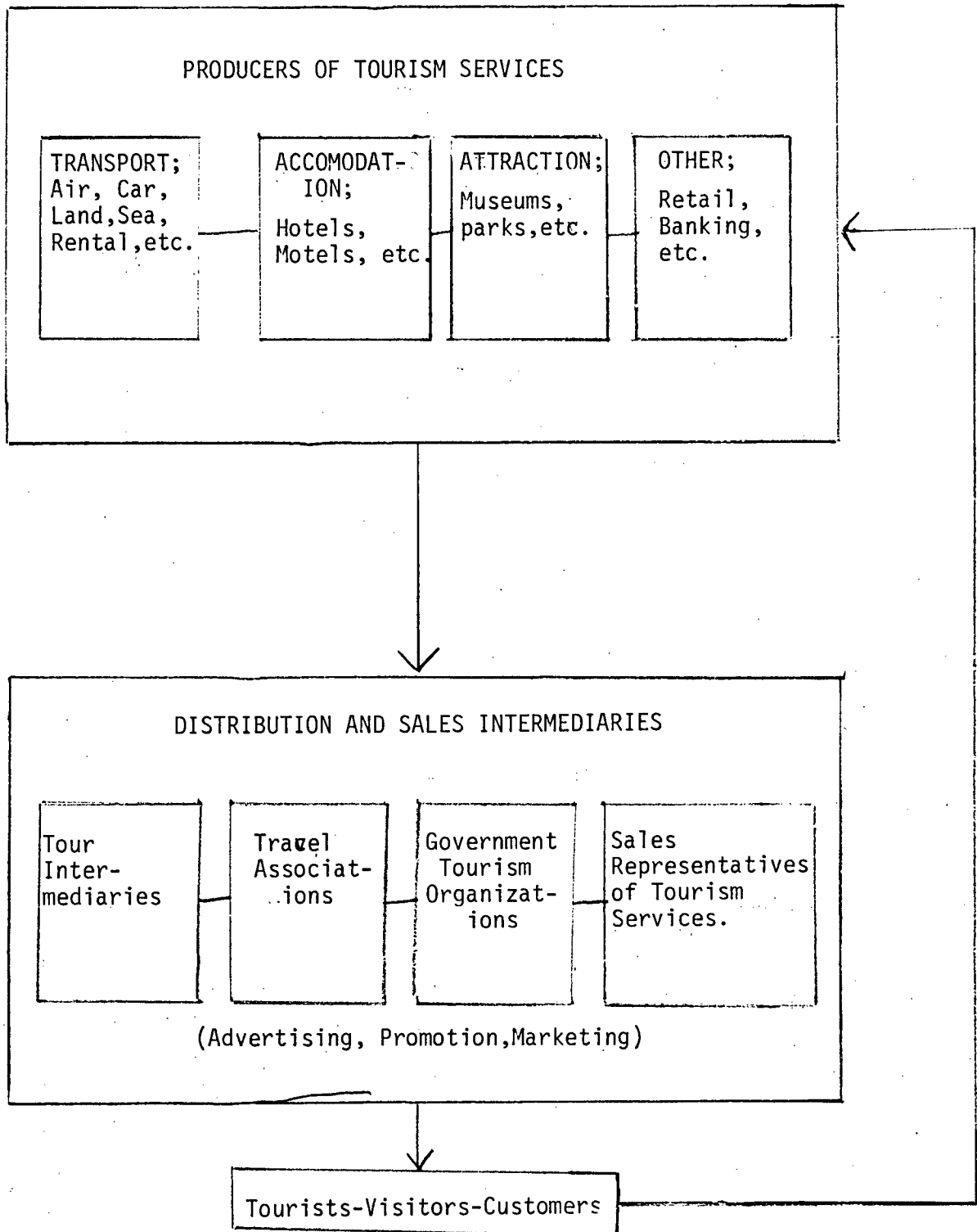
The tour distribution system is schematically outlined in the accompanying figure (fig 2.1). Tourists purchase tourism services with the aid or influence of the forces of the tour distribution system (intermediaries, travel associations, national organizations and sales representatives). While the associations and organizations are primarily promotional, intermediaries play an active role in the actual sale. It is in the intermediaries interest to profit from each sale while it is in the associations interest to produce an overall tour image.

A conceptual view of distribution systems can only be obtained if three basic facts are recognized:

1) National and Regional Tourist Organizations become involved to maximise regional benefit. They tend to focus on:

- Expanding business and employment opportunities,
- Earning foreign exchange,
- Increasing tax revenues,
- Encouraging higher utilization of facilities and,
- Minimizing adverse effects.

Figure 1 - 2.1 The Tourist Trade Distribution Network



2) Tour intermediaries become involved to serve as commission brokers for host-region services. However, it is of secondary interest to them:

- Which destination they sell,
- Which services they send tourists to, and
- Whether their practices of tour distribution follow national tour organization plans.

3) In order to reach the international marketplace host-region services depend upon the distribution system to sell their products:

- National tourism organizations develop promotional activities in market regions.
- Representative offices and trade missions serve to link destination services with the market.
- Intermediaries contract with tour services to sell their product for commission.

Recognizing the nature of this system is critical for planners of a tourism economy. As shown, differential actors influence the spatial distribution of tourists. Within international markets intermediaries play a more significant role in the sale and distribution of tourists. If regions aim to increase their tourism exports, they must understand the role of the intermediary.

5. INTERNATIONAL INTERMEDARIES: TOURIST DISTRIBUTORS

Industry intermediaries act as brokers of destination-region, services processing the tourism product. These brokers form distribution channels to smooth the trade between the tourist and hosts.

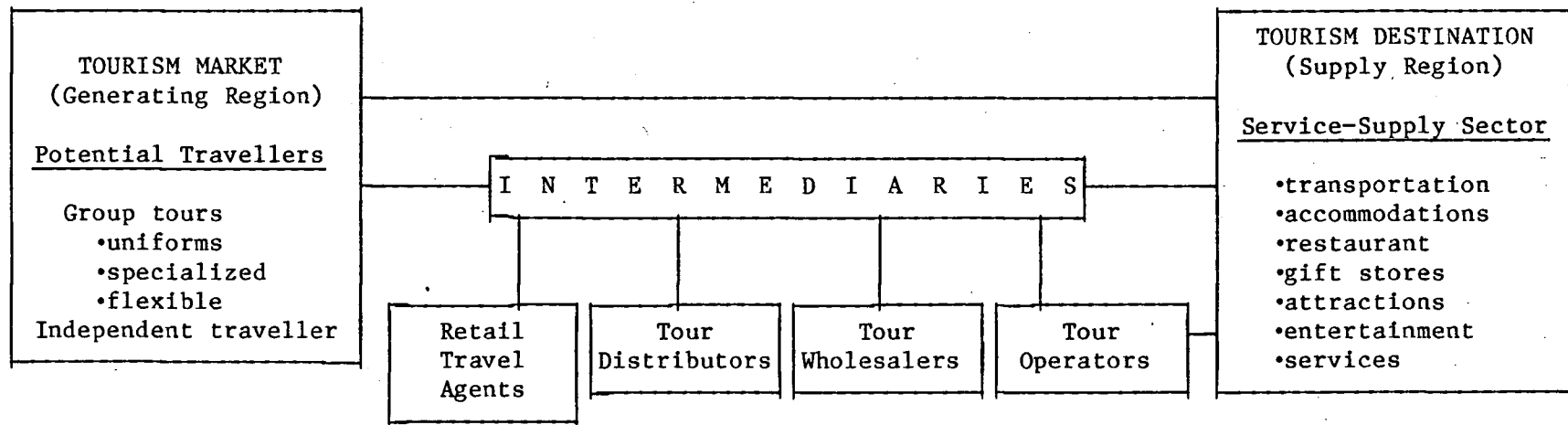
Essentially three main functions of intermediation occur (fig.2.2). These can be broken down like an industrial enterprise, there are retailing/distribution, wholesaling and operating components. Tour wholesaling is the most important aspect. It involves both the negotiation of service contracts in destination regions and the marketing and distribution of products they have 'created' to retail travel agents in originating countries. Retail agents work on a commission basis for tour wholesalers, airlines and hotel companies. Tour operators handle the intricacies of the tour such as booking arrangements for hotels, ground transport, etc. for tour wholesalers.

Intermediary functions are by no means distinct, they integrate with each other and with tourist related industries to provide a wide variety of tourism firms. However, the multi-faceted nature of this integration does not detract from the inherent characteristics of each component.

The first of these relates to function. Component services can be divided into those essential for touring (transport and accommodation) and those which are peripheral (tours, activities).

Figure 2.2

Functional Structure of the Tourism Industry



An agency can act primarily as a ticketing agent for outbound travellers, as well as a local ground operator for inbound traffic. The second characteristic relates to spatial aggregation. Companies can carry out a number of intermediary functions (operating, wholesaling, etc.) spatially connecting tourists across borders. The third relates to organizational traits. Often a multiplicity of functional and spatial aggregation occurs. For example, intermediary corporations can become involved in international trading as well as being local contract agents for others.

The organization of intermediary corporate networks in both the originating countries (where tours are sold) and destination countries (where tours are negotiated) influences the distribution of tourists into host regions. The nature of these enterprises has been changing, characterized by increasing levels of integration, which has been the key force in their rise in the international tourist industry (Hudson, n.d.). These trends, as we will see, parallel trends in the retail merchandising industry except on a global scale. Organizational and structural changes in the retail sector caused by integration, chain stores, systematizing and conglomeration have sent planners scurrying to rationalize plans for commercial centres.

International intermediaries have evolved into systems of "large corporations capable of organizing, co-ordinating, creating, and marketing the diverse elements which constitute the various tourist products available" (Britton 1982a:253-4).

These are structured distribution channels. Three trends of corporate organization have led to the increasing role and influence of tour intermediaries through these channels.

The first is the growth in firm size and their eventual amalgamation as they sought greater scale economies. These large companies develop a marked advantage in establishing favourable bargaining positions due to the number of tourists they have a relative degree of control over. They can afford large marketing and promotional campaigns and gain access to many retailers. These firms become established internationally through a "system of international tour operations" (Lanfant 1980:22). Such systems (organized channels) are groups of agencies and co-ordinators linked to form networks of action leading to the structuring of the international tourism product. This trend has been followed by a number of international hotel corporations (e.g., Hyatt International) in addition to international intermediaries (e.g., Thomas Cook and Sons).

This change in the organization and structure of the industry has been facilitated by new, more efficient transport and communications technologies (EIU 1979a, 1981b, 1983). On one hand new transport mediums such as the jumbo jet opened the possibilities of mass travel, but on the other it caused a significant restructuring of the industry. Mass travel has been characterized by the packaged tour which brought together low cost and the psychological security desired by travellers (Cohen 1972) and fulfilled the corporate desire to process tourism into a refined commodity (Burkhart and Medlik 1974:187).

Integrated corporations processing tourist resources are in pivotal positions because of their points of connection within various destination regions and sale of tourism in originating regions. Their real power lies in duality; attuned to both supply and demand, they are able to negotiate the flow of tourists into a select set of destinations and related services. They are attuned to supply through bulk or long term service contracts with host industries (obtained at discounts) and demand through their creation of marketing and promotion of select destinations. This lends itself to the second organizational trend, that of horizontal and vertical integration.

Vertical integration has occurred between service industries, such as an airline and a hotel corporation, and between intermediaries and services such as a tour operator and accommodation services. Horizontal integration has occurred primarily amongst tour intermediaries. This leads to the integration of retail agents with tour wholesalers and tour operators.

The rapid rise of these corporations has also been facilitated by the penetration of non - tourism capital into the system. For example, Barclay's Bank is now the largest shareholder in Thomas Cook and Sons, ITT owns the Sheraton Hotel Group and Budget Car rental, the largest Japanese tour corporations are integrated with sogo soshas or general trading houses.

These organizational changes within the industry centring

around the rise of the tour intermediary corporation have important implications for destination regions hoping to export their tourist resources abroad. Intermediaries, in essence, can control the industrial process of tour sales, influencing the distribution of benefits and impacts. The traditional role of government promotion and development need re-evaluation in light of the forces of the power of these new organizations. Such changes in the retail sector have caused a significant change in the form and structure of urban commercial centres (Davies 1976). A re-assessment of tourism planning is needed in order to address the changing roles of tour distribution.

The role of these corporations as multinational intermediaries has been described as one of serious host region dependence (IUOTO 1976, Hills and Lundgren 1977, Britton 1980, UNCTAD 1982). In a more critical analysis, Hills and Lundgren have outlined the basic trend of multinational integration of the tour industry as a typical core-periphery syndrome. This model follows intermediary and service integration of market region corporations into destination regions creating 'export enclaves' for these companies. Britton (1980) shows that this integration leaves destination regions as substitutable commodities dependent on external forces. As local service industries vie for the sale of their services, they can become a substitutable commodity to other destinations if the price is not similar.

The distribution of benefits from tourism is determined by the organization and structure of the industry between market

and destination regions. It follows that the pattern of income distribution and impacts derived from various markets is a function of three variables: the organization and structure of the distribution system, the costs of that system to host regions, and the volume of tourists served from that particular market.

The specific organization and structure of the distribution system depends upon the level of trade industrialization between regions (Lanfant 1980:21). The level of trade industrialization can be related to the degree of intra and inter-firm organization and structuring of tourist flows. The more processed the flows (packages etc.) the more developed the distribution channels. The trend towards 'channeling' of tourism as an industrialized process has happened between many regions (especially tropical 'sun,sand and surf' destinations).

The export behaviour of tour intermediaries ultimately influences the distribution system. As described earlier, tour corporations have the ability to grow and diversify their operations globally, enabling them in some cases to directly influence the pattern of tourists through their distribution channels. This ability and behaviour evolves out of a development process intrinsically related to the inter-regional and international growth of firms.

In theory, foreign corporations export to or invest in a host region when the environment for conducting business has entry or competitive advantages to compensate for various spatial barriers to entry (see Caves 1971, Hirsch 1976).

As tourism trade evolves, firms learn more about spatial and competitive barriers to entry and may then wish to export or invest further in the trading relationship. Tour intermediaries are naturally multinational, as travel patterns evolve tour corporations from host and market regions attempt to control more aspects of tourist flow to reap further benefit. This leads to various levels of integration which characteristically stems from market region countries (IUOTO 1975:46).

The influence of these evolutionary trends of corporate action to control the flow of tourists is perhaps one of the most serious questions needing to be addressed. Markets with highly structured distribution channels create select patterns of tourist flows through host regions. Each market has a different set of channels. These channels each have their own form of economic leakage, social impact and environmental impact depending on the behaviour and organization of controlling firms. Regions without the control over the co-ordinating function are increasingly subject to such pressures.

The costs of structured channels to host regions is a two-sided issue. On one side intermediaries serve to bring the tourist and his revenue into the host region, but intermediaries manipulate and control the flow of tourists, potentially without concern for the region's interest. The central question in international tourism planning thus revolves around the role that intermediaries play in the host region's economy.

Traditional planning approaches relating to the tourism industry have used it as a 'tool for regional development' (see

Clarke 1981, Pearce 1981, Gunn 1979 or, specifically, Marshall Macklin, Monaghan 1979). These approaches have followed systems theory in attempt to spatially define a tourism industry within a region by taking inventories of services and attractions in efforts to outline a tour product. Their major deficiency is that they have not examined the industrial process of tourism, that is how the services are organized and sold, thus influencing the spatial pattern of tourist travel.

Planners in general have assumed a somewhat predictable demand. They have taken market profile studies to determine desired products but they have not examined the influence of intermediaries as industry 'manufacturing agents'.

It follows that British Columbia is not an automatic tour destination for all international visitors; it only becomes so through a complex distribution system influencing the flow of tourists. This is only created by advertising, plant investment and transport linkages. This, in turn, lends itself to integration within the international distribution system. Several points emerge from this discussion.

1) Social engineering of the tourist is as important to host regions as the spatial planning of the tourist plant. Without control over the social engineering, the spatial flow of tourists will be outside the hands of host regions.

2) Distribution systems are the key links in directing the way British Columbia's tourist industry receives international

visitors. Marketing strategies, product development and tourist expectations are primarily determined through distribution systems which direct the tourist into the pre-planned tourism space economy.

3) As tourism trade relationships evolve there is a tendency for a distinct set of distribution channels to be created as a result of firm behaviour. This can result in a different spatial flow of tourists than previously planned for.

4) The tour industry is subject to a certain degree of foreign control and ownership because of the inherent nature of distribution channels having to be located in both market and destination regions.

In the following chapters, these points will be discussed in-depth. Their significance and relevance to the B.C. tour economy will be tested through a case of the Japanese travel market and the organization and structure of the distribution channels handling this market.

III. THE BROADENING HORIZONS OF JAPANESE TOURISTS

1. INTRODUCTION

It is important to understand the nature of tourist markets in order to aid in the planning of a tourism economy. Each tourist region is supported by a number of different markets each having their own specific effect on the economy. This chapter primarily aims at outlining the historical factors which have influenced the Japanese traveller to visit Western Canada.

2. THE JAPANESE TOURIST

Trends of seeking recreation through travel, along with Japan's rising living standards and economic integration with the rest of the world, have contributed to the special appeal of international tourism. Japan now generates over 4 million overseas visits per year, representing a total export value of \$4.81 billion (US) to receiving nations (OECD, 1982).

Canada now receives approximately 140,000 visitors annually, representing about one per cent of international visitors or seven per cent of overseas travellers. Americans are by far the most frequent visitors accounting for over 90 per cent of international travel to Canada. Of overseas travel, the Japanese are third behind Britain (26.4 per cent) and Germany (10.4 per cent).

The Japanese are the second largest group of overseas visitors to B.C. (14 per cent) behind the British (24 per cent) accounting for about two per cent of all international travel. However, Japanese travel expenditure accounts for about five per

cent of international visitors to B.C. (\$26.7 million), (\$69.8 million) nationally (StatsCanada 66-201, 66-001).

Japanese fondness for travel dates back to the Edo period (1600-1867), when a newly constructed network of roads designed to allow communication between provinces opened up the possibility of public travel. Today, the Japanese are a nation of travellers. The domestic travel industry must accommodate over 140 million trips per year. Travel is a lifelong habit; from early school years to business life groups of people traverse their country like no other. Pilgrimages to Shinto shrines and Buddhist temples, as well as visits to home regions and family have fueled much of this demand. But it is only recently that the Japanese have begun to travel internationally or to consider travel in terms of a leisure activity.

The concept of leisure is a fairly recent phenomenon in Japanese culture. Traditional Confucianist ethics tended to discourage the pursuit of leisure. During the Meiji Restoration (1868 - 1912) emphasis on the workplace limited individuals' conceptualization and participation in free-time activities. Enjoyment for its own sake was frowned upon; the general social consensus was that free time should be used for shigoto or work (Tokuhisa, 1980:129). The work ethic was so pervasive that the Japanese have had to adopt a French equivalent for vacation, "bakesion".

Social and economic transformations of post-war Japan have fostered new attitudes towards leisure. There has been a growing appreciation for the virtues of self-fulfillment away

from the pressures of urban life and a routinized workplace. Japan's first White Paper on Leisure defined the term as ". . . the opportunity for the human being to give expression to his individual faculties in an age when social systemization is robbing him of his individuality" (Financial Times, 1973 quoted in ITQ #2, 1973, p. 36). The desire to seek mental, spiritual and physical forms of recreation outside the confines of everyday life has led to an increase in travel geared specifically to leisure, causing some to conclude that the Japanese may take ". . . their leisure as seriously as their work" (ITQ #2, 1973, p. 36).

Although tourism as a leisure pursuit is playing an ever more significant role in Japanese society, traditionally strong attachment to the workplace remains the primary factor in limiting the amount of travel time available to Japanese workers. While vacation time is increasing it does not come close to North American standards. For example, in 1981 the average Japanese worker took only 8.3 vacation days a year out of the 16.3 days available, and even this was an increase over the 1973 average of 4 vacation days annually.

The use of days off has been limited not only by a strong work ethic, but also by a corporate employee evaluation system that tends to give higher ranking to those who put in more hours on the job. This is changing, however. Japanese corporations are now becoming directly involved in encouraging employees to take advantage of their vacation time. Many companies have begun to provide resorts for employee use or organize company

group tours during holiday periods. This is often part of the employee's pay compensation package, they are given holidays as part of their pay.

The 1978 Study of Life Awareness (cited in Tokuhisa, 1980, p. 128) indicated that overseas travel is the most preferred use of leisure time, although this reported desire is fulfilled by only three per cent of the population. In the same year the Survey of Free Time Expenditure showed that the rate of increase in leisure expenditures was higher than that of overall consumer expenditures. According to a 1980 survey on the daily life of Japanese people conducted by the Prime Minister's Office (Tourism in Japan 1982, 1983, pp.2-3), 23 per cent of the respondents wished to enrich their "leisure life", second only to the 27 per cent wishing to enrich their "housing life". Those who desired to pursue leisure as a priority were predominantly the "youth" age group (18 to 30 years old).

3. JAPANESE TRAVEL HABITS AND PATTERNS

As the desire to travel abroad became a reality, the quest for certain tourist products lead them to various regions. This was, of course, limited by the travel infrastructure and distribution channels necessary to create and negotiate trade patterns. A major determinant of any trade pattern is the cultural characteristics of the tourist and there is not a more extreme example than the Japanese.

Initially, Japanese travel abroad was primarily for technical visits to examine industry and commercial technology and organization. As tourism evolved their naivete, nature of

travel and attachments to groups characterized them as group tourists . It was not uncommon to see busloads of uniformed tourists visiting all of the 'classics' - the Vatican, Athens or London in the early years. Group travel is no longer proportionately as important as it was in the mid 1960's (see table 3.1). There is an increasing preference for example, for direct experience of the local culture, through recreational activities and testing local cuisine (Moeran, 1983, p.96).

As Japanese travel for group comradery decreased more active forms of travel became the norm. Today sport and health are becoming increasingly popular reasons to travel. As Japanese integration into the international economy broadened, changing habits and more adventurous forms of travel has led Japanese tourists to new regions like western Canada. The attraction of western Canada, particularly 'supernatural' B.C. and the Rockies has been to absorb a more 'exotic' travel experience. If the existing surveys are indicative of future travel patterns, B.C. may experience an increāsing number of visitors in coming years.

Because Japanese leisure travel to foreign countries is geared primarily to sightseeing, famous landmarks such as the Rockies and Niagara Falls hold a special appeal.

Table 3.1
Changes in the Purpose of Japanese Tourism Travel

Year	Group Relaxation	Sports	Sightseeing, Pleasure	Visits to Shrines, Temples	Hobbies or Studies	Health and Recouperation
1964	60.3	2.8	19.0	4.0	7.2	5.2
1966	63.6	4.5	14.4	4.6	5.3	5.6
1970	39.2	6.7	32.0	3.0	9.8	7.3
1972	41.1	4.5	34.5	2.7	4.2	8.4
1974	42.5	7.5	29.4	3.3	4.0	7.6
1976	31.3	10.3	26.3	4.3	4.1	15.1

(Cited in Tokuhisa, 1980, p. 133).

According to recent surveys Canada now ranks as a top country of destination choice for Japanese tourists (External Affairs 1983, Nippon Research 1980). There is a certain status value associated with visiting various locales and the Canadian Rockies have particular prestige as one of the places currently in vogue. Scenic grandeur and natural settings, with which British Columbia is well endowed, are becoming a priority for many Japanese travellers (Visitor '79; Nippon Research, 1980). This desire to escape to the outdoors has been attributed by some analysts to the increased pressures of urbanization, crowding and pollution (Moeran, 1983, pp. 96-7).

4. JAPAN'S LEAP INTO INTERNATIONAL TRAVEL

In 1964, Japan accepted the IMF recommendation to lift foreign exchange regulations on imports. As a general phasing of currency liberation began, restrictions on the purchase of foreign exchange for leisure purposes were gradually lifted. In 1964, overseas tourism travel was limited to a single trip passport with a \$500 (U.S.) currency exchange limit. As lifting continued, the industry serving this market had to work within these constraints. As a result, a highly structured industry evolved selling organized tours to obtain volume discounts to meet rigid exchange limitations (table 3.2). As the value of the Yen strengthened and more funds were allowed for overseas trips, the Japanese travel deficit grew rapidly. This was strengthened by an intense desire of Japan's people to travel. As we shall see later, Japan experienced one of the fastest growth rates ever.

Table 3.2

Variables of Japanese Travel Growth

Year	Value of Japanese Yen to Canadian Dollar ¹	Limit of Foreign Exchange Funds (\$US) ²	Balance of Travel Payments Deficit (millions) ²	Events
1963	0.002996	-	-	-
1964	0.002996	500	-	4/1/64 Tourism Begins
1965	0.002995	500	17	-
1966	0.002975	500	40	-
1967	0.002979	500	55	Expo '67
1968	0.002989	500	41	-
1969	0.003005	700	93	-
1970	0.002916	1000	83	Jumbo Jet, Osaka Worlds Fair
1971	0.002912	1000	337	Multi-Trip Passports
1972	0.003270	1000	573	-
1973	0.003696	3000	1043	-
1974	0.003354	1500	1123	Oil Crisis
1975	0.003430	1500	1115	-
1976	0.003327	3000	1351	Montreal Olympics
1977	0.003980	3000	1727	-
1978	0.005480	No limit	3247	-
1979	0.005375	No limit	4256	Second Oil Crisis
1980	0.005183	No limit	3949	-
1981	0.005450	No limit	3883	-
1982	0.004966	No limit	3362	-
1983	0.005190			

¹Bank of Canada Review, Jan. 1984, Table 65.²OECD. International Tourism in OECD Countries (Annual).

Organized tours had a special appeal for novice travellers; they helped to reduce fear of the unknown by keeping the traveller in familiar group situations. Slow integration into the international scene, in response to the gradual easing of government regulations, has allowed the Japanese tourism industry to maintain its tight control over the market. As the industry became more systematized, travel and tour prices fell and sales expanded at unprecedented rates. Before travel was first 'Liberated', major travel agencies in Japan and elsewhere began targeting new opportunities. They promoted saving for travel and introduced potential destinations. However, travel was originally an expensive commodity and agents had a tough time selling tours. It was the airlines which first gained a grasp on the industry. Carriers, aiming to increase capacity, strengthened their marketing activities and organized ties with agencies in Japan and abroad to develop markets. In July 1964 Swiss Air was the first to launch an inclusive tour to Europe. This was quickly copied and by 1969 most carriers had introduced brand name tours in conjunction with a consortia of travel agencies.

The Japanese-British Columbia travel connection dates back to 1955 when Canada and Japan reached a bilateral commercial airlines agreement and waived visa fees for visitors not seeking permanent employment (see table 3.3 for a chronology of Japanese trade development with Canada). In that year CP Air began its first return

Table 3.3

Chronology of Trade Events

1952	First Technical Visits to B.C.
1955	Bi-lateral Air Treaty Signed
1955	CP Air Flies to Tokyo
1961	J.A.L. Flies to Vancouver
1964	Travel Liberation
	Sapporo Winter Olympics
1964	Annual Trade Missions
1965	Canadian Trade and Travel Office
1968	J.A.L. and C.P. Direct Flights
	Montreal Expo 1968
1970	Osaka World's Fair
1974	Widebody Flights
1976	Montreal Olympics
1985	Expo '85 Japan
1986	Expo '86 Vancouver
1988	Calgary Winter Olympics

flights from Vancouver to Tokyo and on to Hong Kong. It was not until 1961 that Japan Airlines began landing in Vancouver and 1968 before it flew Tokyo-Vancouver direct.

Early visits were primarily technical and were arranged by local Vancouver intermediaries such as Bob Iwata who began this trade in 1952. Other travel existed, one notable trip being the 1925 first ascent of Mt. Robson by Japanese climbers. Mt. Robson was not climbed by a Canadian party until 1950, two years after a successful American expedition. Interestingly, the Canadian Rockies remain as the primary tourism draw today.

The first active campaign to develop ties began with the Vancouver Visitor's Bureau in 1963, lead in part by another pioneer of this trade, Gordon Kadota. This trip was followed the next year by the now almost annual trade missions led by the B.C. provincial government's Ken Woodward. As these pioneers quickly learned, the American-style 21 day itinerary agents provided them with did not meet Japanese requirements.

Initial trade agreements were made through the direct organization of travel packages from B.C. intermediaries. These companies made agreements with airlines and tour distributing agents in Japan to take their product to market through networks of retail agents. This system of B.C. intermediaries processing the tour product for Japanese tour distributors lasted only as long as it took for those distributors to grow and learn about the intricacies of the business.

In 1968 the Japan Travel Bureau (J.T.B.) introduced their

own short-haul "Mini" and honeymoon "Honey" packages to sell through their own outlets. Later J.T.B. and Nippon Express (NEC) combined to produce "Look" tours, travel packages marketed worldwide. Concentrating on mass packaged production these agencies found it initially difficult to convince other outlets to sell their packages. Eventually, due to their popularity however, package tours became a common commodity sold out of most retail outlets on commission. This signified the beginning of two important trends. First, the industry changed from a dual system of carriers and agencies to a trilogy of carriers, wholesalers and retailers. Second, a shift in the decision making locus of tour programming from host region "inbound" operators to market region "outbound" wholesalers.

In 1969 Contract Bulk Inclusive Tour fares (CBIT) motivated travel agencies to practice wholesaling and this fostered the success of independent wholesalers. Strict requirements on large minimum group fares favoured larger agencies which had the ability to meet the standard and thus control air seats through their stronger purchasing and retailing powers. After this wholesaling and brand-name tours became standards in the holiday industry. Smaller agencies wishing to wholesale had to become a dependent sister to the larger agencies or form consortia to gain access to supply channels. Fierce competition to have one's tour brochure on display weeded out the weak.

The combination of increased availability of foreign currency for tourism as well as the introduction of multi-trip passports the following year (1971) helped to broaden travel

opportunities. These developments were all but overshadowed, however, by the appearance of the jumbo jet (1970). The increased passenger capacity of these wide-body jets opened up a whole new market, namely middle income groups who otherwise could not have afforded international travel. More specifically this new form of transport allowed the Japanese to travel farther on what funds were available. For the next three years the average annual increase in tourism was over 50 per cent (see table 3.4). The number of overseas travellers rose from 500,000 to 2.3 million (1969-1973), with tourism accounting for most of this increase. After 1971 the ratio of tourist travel never dropped below 80 per cent of all overseas trips.

It should be noted, however, that the Japanese tourism market has been extremely vulnerable to worldwide macro-economic conditions. Perhaps the most telling years were 1973/74. A rise in foreign and domestic currency limits in 1973 stimulated a 64 per cent growth in tourism for that year, resulting in a near doubling of the balance of payments travel deficit (refer back to table 3.2). This was almost stopped cold by the impact of the first "Oil Shock" late in 1973, however. By 1974 the overseas travel growth rate had been reduced to a mere 2 per cent. Rising travel costs and a reduction in foreign currency allotments for tourism had once again reduced travel options for the Japanese tourist.

Table 3.4

Japanese Overseas Travel Growth
(thousands of trips)

Year	International (000)	% Growth ¹	Canadian % Growth ²	British Columbia % Growth ³		
1963	-	-	1403	-	-	
1964	-	-	1981	41.2	-	-
1965	158.8	24.3	3206	61.8		-
1966	212.4	33.7	2799	-12.7	-	-
1967	267.5	26.0	18979	166.6	-	-
1968	343.5	28.4	12515	-34.1	-	-
1969	492.9	43.6	18525	48.0	-	-
1970	663.5	34.6	22011	18.8	9688	-
1971	961.1	44.9	25855	17.5	12164	25.6
1972	1392.0	44.8	52438	102.8	17763	46.0
1973	2288.9	64.4	71095	35.7	24400	37.4
1974	2335.5	2.0	77543	9.0	33200	36.0
1975	2466.0	5.6	90411	16.6	46500	40.0
1976	2852.6	15.6	106783	18.1	46200	-
1977	3151.4	10.5	97532	-8.7	45500	-.02
1978	3525.1	11.9	127827	31.1	61500	35.2
1979	4038.3	14.6	158582	24.1	70500	14.6
1980	3909.3	-3.2	162253	2.3	68200	-.3
1981	4006.4	2.5	146461	-9.7	62800	-.8
1982	4086.1	2.0	139447		63907	.
1983			138716			

¹International Tourism Quarterly, 1983, v. 29.

²Statistics Canada. 66 - 201.

³Statistics Canada. 66 - 001.

As Japan adjusted to increased oil prices tourism began to rise again. By this time a decade of tourist travel had established a far-reaching, integrated industry directing the Japanese tourist through many foreign destinations. A sustained term of economic growth, rising levels of disposable income, and a strong Japanese currency helped to stimulate travel demand. By 1976 foreign currency limits were back to the 1973 levels and again the travel deficit had almost doubled. By this time Japan represented one of Canada's fastest growing tourist export markets and Canada Japan's fastest growing travel destination (OECD, 1978, p. 411); a trend that was fueled by a 72 per cent increase in the Yen's buying power over the Canadian dollar. In 1978 all foreign currency restrictions were lifted, and in 1979 four million overseas travellers left Japan's shores, with over 150,000 visiting Canada.

A further round of oil price increases in 1980 and 1981, and the recent worldwide economic recession, have limited the rate of growth in Japanese tourism to Canada. This time, however, it is economic conditions rather than government regulations that have limited international travel. The Japanese Government has continued to allow unrestricted overseas travel for two reasons. First to promote understanding and goodwill among nations, and second, to allow countries to recoup a part of their balance of trade deficits with Japan (Farrell, 1982). This last point does not apply to Canada, however, since we have a trade surplus with Japan.

5. SUMMARY

The short, rapid growth of the Japanese overseas tourism market is an outcome of Japan's rapid entry into the western world. As cultural, economic and industry barriers to travel were removed, Japanese travellers began visiting countries further afield.

As tourist market expands its horizons into other regions, this playground becomes their 'pleasure periphery' (Turner and Ash 1976). British Columbia is now part of the Japanese playground. Industry has become established to integrate and accomodate the Japanese visitor within B.C. This manner in which industry develops to host the Japanese is of particular concern to B.C. tourism policymakers attempting to determine the significance of this trade. The next chapter looks at this in detail.

IV. AN ANALYSIS OF JAPANESE TOUR DISTRIBUTION IN B.C.

1. INTRODUCTION

The purpose of this chapter is to present the results of a more in-depth analysis of the tour intermediary corporations handling Japanese organized tours to British Columbia. To achieve this, methods derived from Industrial Organization Theory (IOT) have been used as a general guide to describe organizational influences over the structure of the Japanese travel industry to B.C. Rigorous application of the IOT model was not attempted primarily due to data, cost and time limitations.

We have just observed the process of Japanese tourist integration into western Canada. This integration is partially influenced by corporate intermediaries. This chapter undertakes a more specific analysis of the effects of corporate integration into evolving regional tourism economies.

2. AN OVERVIEW OF B.C. AND JAPANESE INTERMEDIARIES

The Japanese market is primarily a group travel market, and the intermediary sector of their travel industry has grown in response to local demands for its services. Eighty percent of overseas travellers use the services of intermediaries (Tokuhisa, 1980). It must also be remembered that because of Japan's spatial and cultural isolation, any international travel takes on an exotic flavour. Therefore, when travel opportunities opened up, there was almost capacity demand for services of travel agents and other service intermediaries abroad to handle the details of overseas trips.

Trade links connecting Japanese tourists to B.C. are concentrated in Japan, where Japanese intermediaries control almost all aspects of their clients' trip abroad. This is evident by examining the dominance of Japanese firms with multi-functional roles. Most B.C. firms operate as ground operators. What few intermediary services that exist in B.C. are faced with stiff competition from the highly organized Japanese tour handlers.

Japanese based travel service industries have evolved from different roots, each influencing their ultimate status. These can be divided into three general areas; traffic corporations, retail service corporations and other industry groups. Twenty-six of the top 50 agencies are wholly or partly owned by traffic corporations. J.T.B. and Nippon Travel have relations with Japan National Railways; Japan Creative Tours is controlled by Japan Airlines and Nippon Express, Kinki-Nippon, Tokyo Tourist and Meititsu World Travel also have railway affiliations.

Most large retail outlets now operate travel service agencies using their locational advantages and credit networks to aid in sales. Other industry groups include newspaper enterprises, co-operative associations and in-house systems. In general, the traffic - related agencies control the largest share of the industry. Broken down by employment, the size and dominance of these enterprises are evident (see table 4.1).

Table IX - 4.1 Size and Ranking of the Top Ten Japanese
Travel Service Agencies, 1975

(As of July, 1975)

Rank	Company	Overseas Travel Staff		Number of Certified Travel Reps.	Ratio ¹ (B)
		Number	Ratio (A)		
1	Japan Travel Bureau	2,290	19.4%	3,431	1.49
2	Meitetsu World Travel	1,406	93.4%	382	0.27
3	Nippon Express Co.	963	12.5%	575	0.60
4	Nippon Travel Agency	883	65.5%	1,104	1.25
5	Tokyu Tourist Corp.	676	18.7%	648	0.96
6	Kinki Nippon Tourist	542	30.0%	1,323	2.44
7	Hankyu Express Intn'l.	513	73.8%	262	0.51
8	Japan Creative Tours	331	87.3%	99	0.30
9	Yusen Air/Sea Service	304	87.1%	119	0.39
10	Nishitetsu Travel	204	56.8%	139	0.68

Ratio (A) Number of overseas travel staff against total number of employees.

Ratio (B) Number of overseas travel staff divided by number of certified representatives.

p.56, Japan Travel Blue Book.

(1975), Moritani Travel Enterprises: Tokyo.

The B.C. travel industry is a striking contrast to its Japanese counterpart. Most British Columbian tourists are independent travellers who do not require the extensive services of travel intermediaries. The same holds true for the majority of international visitors to the province. Except for the Japanese, most foreign tourists to B.C. tend to be self-directed and independent, requiring little in the way of intermediary services. As a consequence the B.C. tourism industry is geared to the independent rather than the group traveller; only a small proportion of the industry is involved in intermediary activities.

Over 800 agents capable of handling international travel are registered in B.C., whereas only 467 agents in Japan have an international general travel agent license. The Japanese policy of keeping close ranks amongst its travel service agents in order to ensure a highly organized industry and to limit adverse effects of fragmentation maintains a secure travel industry for its nationals (see JATA 1983a,b, Registrar of Travel Services, 1983). In addition, efforts to develop the tourism industry in British Columbia can be described, at best, as incremental and uncoordinated compared to its Japanese counterpart. For example, Japan promulgated its travel agency law organizing the travel service industry in 1952, B.C. in 1979. Japanese agencies all belong to a general public - private association of travel agents whereas membership in B.C.'s tourism industry association is optional.

3. TECHNIQUES OF ANALYSIS

The actual nature of corporate trade relationships are best shown through a market structure analysis. The behaviour of firms in the trade of any product internationally is influenced by a number of factors including firm size, concentration, scale economies and type of products offered. Firm's decision to invest and export depends on their relative advantages. This analysis outlines the basic structure of the firms involved with the Japanese organised traveller to western Canada in 1983.

3.1 Relevant Market

Determination and definition of the relevant market is critical for the application of other market structure analysis. To achieve this seller firms were categorized by function (retailing, distribution/marketing, package development and promotion, tour organization and, tour operation see appendix C for definitions). This classification enables a more in-depth numbering and size distribution of sellers (table 4.2)

As the accompanying figure shows, there is a diversity of firm types handling certain intermediary functions. Firms are categorized by function forming part of the overall market of seller firms. Tour distribution channels are formed through inter-company agreement amongst these firms.

Firm seller typologies can be divided into outbound and inbound sellers. Outbound corporations are ones based in Japan 'selling' western Canada whereas inbound corporations are B.C. based receiving the Japanese. These corporations are primarily differentiated by the type of intermediary involvement that they

have over the flow of the Japanese tourist. (see appendix C for definitions)

Type A firms have the ability to both sell tour packages and guide the tourist through foreign lands. These firms have direct control of all aspects essential to touring- -package development and organization, tour operation and booking and,

Table X - 4.2 Functional Classification of Intermediary Firms

FIRM TYPE FIRM FUNCTION	FIRM TYPE					
	A	B	C	D	E	F
RETAILING	**	**	**			
DISTRIBUTING AND MARKETING	**	**	**			
PACKAGE DEVELOPMENT & NEGOTIATION	**	**	**	**		
TOUR ORGANIZATION & BOOKING	**	**		**	**	
TOUR OPERATION	**			**	**	**

retailing. Type B firms are similar to A firms except they lack the ground operation component. This involves last minute booking arrangements and guide servicing. Type C firms are less diverse contracting with inbound firms to sell and distribute various packages or to create special trips.

Of inbound firms, a complementary structure can be delineated. There is a hierarchy of firm involvement ranging from type D firms who create their own packages for sale abroad. Type D firms create and organize tour packages for distribution in Japan. Type E and F firms act primarily as ground servicing agents for other firms, the difference being a guide service versus a booking and service agency.

3.2 Firm Size And Concentration

The size and concentration of firms gives a more accurate picture of market structure. Volume of grouped and packaged tours handled by each firm was obtained through interviews. The overall results of this analysis is detailed extensively in Appendix D with a complete listing of firms, their function and volume handled for 1983. The most efficient way to present this data for the purposes of this study is by outlining corporate involvement in the distribution network, first on an overall scale and then with sub-market breakdowns.

On the aggregate level, the Japanese tourist can be patterned into three different markets by firm type. Three distribution channels are delineated from type A,B&C firms as previously classified (see appendix D, table 4.3). This categorisation shows the structure and dominance of firms.

Of group and packaged Japanese tourists to western Canada in 1983, it is estimated that 33 per cent were handled through type A integrated firms. These three firms all have offices in Vancouver (JTB 1982, NEC 1983 and JAL 1974). With the exception of JTB, these firms organize, distribute and guide almost all of the tourists under their control. The exceptions are a special arrangement between a

Table XI - 4.3 Market Classification, Size, Distribution
and Concentration of Seller Firms

FIRM TYPE	JAPANESE FIRMS			B.C. FIRMS		
	A	B	C	D	E	F
Number of Companies By Type.	3	3	12	1	7	3
Total Volume Handled By Classified Firms.	14,000	8,700	20,300	1,000	21,300	8,700
Average Size By Volume.	4,630	2,900	1,800	1,000	3,040	2,900
Share of Volume By Firm By Region.	33%	20%	47%	3%	69%	28%

long-time Vancouver pioneer, Bob Iwata and JTB. Iwata travel handles about 2000 tourists under contract to JTB every year. In addition some small specialty tour contracts such as fishing contracts are let to local firms.

Approximately 20 per cent of the organized tourists were directed through type B firms which have an appointed office in Vancouver. These offices work under exclusive contract to their distribution partner and perform functions as directed. The only real difference between these three firms is the licensed office the integrated firms have. Representative offices contribute little to the B.C economy. Combined, six Japanese firms have near total control of one half of the market.

The third 'channel' consists of a series of inter-firm arrangements between local inbound firms offering to provide a tour program and outbound distributors looking for a sellable idea. Often these arrangements are for special groups. Forty-seven per cent of Japanese travellers were estimated to travel this way. One Japanese firm that dominates is Fellow Travel's arrangement with Canapak tours, an old Vancouver company. Other arrangements are best described as specialized inter-market service agreements. Most local firms have only limited input into the overall decision on how all the tours are sold and developed. They wait for decisions from their Japanese partner. B.C. firms operate primarily on the periphery picking up service contracts when they can. A few have long-established relations with seller firms but most, as one operator noted, 'wait for a phone call to be told what to do'. However, a

larger portion of the tour dollar stays in western Canada due to the greater amount of service put in.

Of inbound firms three play a dominant role as tour operators one of which is American. These firms average close to 5,000 tourists per year contracting their services to a number of firms. Transpacific tours (TPT), C.P Air's subsidiary handled about 4900 organized Japanese tourists last year for four companies. TAC, the American company dealt with three firms. Canapak deals primarily with Fellow Travel, previously it used to deal with JTB and other firms but have since lost the contracts.

In the past, B.C. firms took a more active role in tour packaged development until Japanese firms began to open up local offices. Only one firm, Skyland, can be classified as a tour packager today. Skyland has its own office in Tokyo to distribute its' packages to retailers and organized groups. Ten Years ago there were at least five B.C. firms in this position. For example, TPT, Iwata Travel and Cantour all had offices in Tokyo to facilitate the trade of their tour programmes. In light of the recent moves by Japanese corporations, all of these companies have closed their offices and Cantour has gone out of business.

Japanese based corporations have direct input and profit from all organized travellers leaving Japan for western Canada. B.C.-based inbound companies only handle approximately three-quarters of the market. When discounting the 'shell' nature of the type 'F' ground operators who receive little return, the

American 'E' corporation, and Iwata's deal with J.T.B. as a ground operator, B.C. based intermediaries are involved with approximately one-half of the distribution of Japanese tourists, then only as service agents.

3.3 Product Differentiation

Seller size and concentration differ among products sold. A series of sub-markets make up the overall product market. As was outlined earlier, there is differentiation in price and quality. However, there is relatively little product differentiation in terms of spatial tourist flow.

Spatially, the distribution of tourists into Canada is handled through two different systems. For Western Canada, separate negotiations are made but for Eastern Canada, arrangements are primarily made through American and Japanese intermediaries based in San Francisco or Los Angeles. Over 80 per cent of packaged and group tours to Western Canada follow the classic golden triangle route to Banff. The typical seven to ten day trip includes two nights in Vancouver, one in Victoria, two to five in the Rockies and possibly one in Calgary before flying home. In discussions with industry representatives, there was little desire to explore new tour destinations.

The three integrated type A companies all sell a similar range of products over similar prices. These firms are like supermarkets offering just about every alternative selling their brand-name ahead of the product. Two firms, J.T.B. and NEC sell Look tours jointly.

The three type B firms operate on a similar brand-name concept but are known for their specialties. For example, Kintetsu primarily deals with grouped tourists and the others, Playguide and Vivre are known for quality tours. These six firms all list the classic Banff triangle as their main selling point. From there, they offer a number of options in quality, length and direction. All options are fairly standard and are all duplicated by each other. The main difference exists in Kintetsu selling the product most often to specialised groups while Vivre focuses on the same routes but for quality. Vivre does play a significant role in ski packaging occupying close to thirty per cent of the market on its own. Japanese type C firms which are not fully integrated are much smaller in contrast except for one, Fellow Travel. These firms search out a number of potential agents in B.C. to conduct and develop tours with. It is mostly through these firms that a more diverse array of tour programmes are offered spreading the Japanese tourist farther afield. It is in this form of corporate structure that a more diverse array of tour programmes exist. There is a higher propensity to offer different packages to gain access into the market. However, as we will see below in scale economies, the smaller firms have a hard time offering their small programmes.

By defining the relevant market in more precise terms, it is evident that some firms have 100 per cent control of their specialty product market. This analysis did not go into this level of detail but it has been shown that the top six firms

control the packaged or common tour market. B.C. firms, with the exception of Skyland, deal primarily with more specialised group tour programmes.

3.4 Scale Economies

Structural advantages to firm size influence the propensity for foreign based firms to take a more active role in distributing tourists throughout B.C. B.C. firms have been losing their traditional functional role as type 'D' or 'E' firms. A number of reasons limit B.C. firm ability to compete in this market, one being the lack of a large market to gain scale economies over.

In general, service supply industries give preference to bulk purchasing. For example, hotels give up to 30 per cent of standard room rates for a large enough volume. The advantages here lie with the large integrated corporations who have the ability to take advantage of this discounting. In addition, such practices also direct the intermediary to the larger services, who can offer a larger and more convenient product for tour programming. As a result, large intermediaries deal with large services limiting smaller industry access.

For example, firms with a large supply of buyers deal direct with tour services for two reasons. First, they are in a better position to bargain for a better rate and, second, they are able to develop a refined, cost efficient program limiting the spatial pattern of travel.

Advertising and marketing costs also play central roles in tour programming and the type of product sellable. Packaged and

group tours may offer similar products, they are sold in a very different manner. To sell group tours one must have contacts with organisations whereas package tours must be made accessible to the public. The top six firms sell both, while the others focus on one or the other.

4. TRENDS AND IMPLICATIONS OF MARKET STRUCTURE ON B.C.

Based on the above analysis, the performance of the Japanese organized tour market to British Columbia can be understood in terms of the conduct of seller firms. Originally B.C. tour companies acted as inbound operators packaging tours for marketing and sales in Japan. This has gradually changed as B.C. companies now act primarily as ground operators. In many cases the local tour operator has been relegated to a tour guide service whose function is limited to contracting buses and staff to Japanese representatives (Canadian Travel News, 7, June, 1983, pp.1-2.).

Historically, three trends can be observed since the tourist trade relations began after World War two. First, four of the larger companies opened San Francisco offices and directed operations from there with the help of local intermediaries. At this time, B.C. firms worked actively to organize and develop a wide array of tour programmes for sale to Japanese distributors. Second, in the mid-1970's C.P. and J.A.L. opened wholesaling offices in Vancouver. And, third, in recent years, major wholesalers have also been opening Vancouver offices notably J.T.B. (the world's largest) and Nippon Express. B.C. firms are now primarily ground operating agents

having little to do with the more lucrative packaging elements. From recent discussions with industry officials it seems that other agencies are watching these moves carefully with the possible intention of following suit.

The trend to integrated offices will only continue the demise of local operators. In a series of interviews with local intermediaries involved in this market, a number of reasons were sighted for their inability to survive. These include (1) the carrying costs of service bookings aggravated by delays in payment and uncertainties in commitments from Japanese intermediaries; (2) a strategy of selling one region, tour or supplier against another making profit margins minimal; and, (3) the absolute size of competing firms.

Tour intermediary corporations sell regions to achieve certain profit margins. This frustrates the situation of inbound operators who must deal with outbound intermediaries to gain access to markets. In general, inbound operators only have one type of product to sell to different markets. Outbound operators sell different products to one market. Two factors limit B.C. corporate access to the Japanese market; first, the market is tightly controlled by a relatively few companies, and, second, to enter this market B.C. firms must attain the low costs of Japanese competitors who have significant economies of scale and integrated distribution channels.

The degree of influence that Japanese tour intermediary corporations have over the flow of their tourists to B.C. is indisputable. The Japanese style of business, highly organized

and integrated, has enabled them to secure volume contracts and services at net-net wholesale prices and sell them at retail. In order to further refine their operations they have also focused on selling a very narrow 'image' of Canada. With a tightly controlled distribution system, propensity to innovate new tour 'products' for the Japanese in Canada is low. The costs of developing a new product are expensive, most of which entails advertising and image creating to stimulate demand. It is far easier to allow retail agents to sell the most best known destinations limiting costs and maximizing profits due to increased economies of scale.

5. SECONDARY TRENDS OF INTEGRATION

Japanese ownership and control also extends into the tourism service supply-sector (Table 4.4). This is evident by the number of Japanese owned or controlled gift shops which cater to their tourists. In the gift shop trade, often arrangements are made in Japan with tour intermediaries to steer the tourist to specific stores. This is secured by granting the intermediary a 15-20% per cent commission on sales.

Gift exchanges are an important part of travel for the Japanese. Before departure the traveller is presented with gifts, senbetsu, which are usually in the form of cash. This money is then used to purchase gifts during his or her overseas tour. These are known as omiage and are usually representative items or symbols from the country that is visited. When visiting Canada omiage tend to be natural jade, fur, salmon, or Indian art. These purchases account for approximately 35 per

cent of overseas travel expenditure (Visitor '79).

In B.C. one of the most popular gift items is the Cowichan sweater, which is considered to be a functional example of West Coast native art. The demand for these home-spun, hand-knit sweaters has surpassed the supply capacity of the native Cowichan Indians (Meikle, 1983, p.4) and a number of commercial firms, some located in Japan, are now producing an imitation under the brand name "Cowichan" (Vancouver Sun , March 1979). Although these industrially produced sweaters are of inferior quality the brand-name serves as a status symbol for the souvenir collector. Further integration into the production of gifts for this market existed through jade manufacturing when the Continental Jade Corporation was operational.

Japanese ownership in the accommodation sector is believed to be limited. The Prince Hotel in Toronto is a joint venture between two Japanese companies, a railway and a hotel chain. Canada Harbour Place, a \$130 million investment, is being developed by Toyko Hotels International, a subsidiary of Tokyu Corporation, which is a major in the leisure and tourism industry. At least three Vancouver restaurants are owned by Japanese corporations. One of these is a JAL Hotel Systems subsidiary which caters in-flight meals as well as serving some of its packaged tour customers. Two of these were part of JTB tour itineraries last year.

Table 4.1

Summary of Incorporated Companies Involving Japanese Corporate Interests
in the Tourism Industry
1974 - September 1983 in Western Canada

Hotels (Canada)

Prince Hotel, Toronto
22% Seibu Rwy, 88% Prince Hotels Corp., Japan

Canada Harbour Place Hotel, Hotel and Convention Centre
Tokyu Hotels Corporation, Japan

Souvenirs

Fuji Food Brain Company - Gift Shop Retail
Asami Trading Company - Gift Shop Retail
Yokohama Okaddaya Corp. - Gift Shop Retail
B.B. & K Leasing Corp. - Gift Shop Retail (2 stores)
O.K. Gift Shops - Gift Shop Retail Joint Venure (3 stores)
The Continental Jade Inc. - Jade & Souvenir Manufacturing
(now out of business)

Food

Sakae Iwamoto Restaurant - Japanese Food
Papa Chin's Restaurant - Chinese Food - Joint Venure
International Foods Inc. owns:
1. Kaede Restaurant - Japanese Food Restaurant
2. Aero Int. Enterprises - Serves JAL In-flight Meals
The Pacific Inc. - Japanese Food & Culinary
Nintendo of America Inc. - Pizza Time Theatre Restaurants

Sources: FIRA data files, Annual Reports, Cross Referenced Interviews

Patterns of ownership and control over local tourism plant by Japanese corporations is more extensive in other regions. In Hawaii, it is estimated that the Japanese owned 17 per cent of the hotels and had a combined investment of over \$600 million in 1978 (Farrell 1982:330). Negative public reaction to this level of ownership caused the Japanese government to place guidelines on foreign investment in the leisure industry because of their visibility and costs to foreign reserves. They subsequently lifted these administrative guidelines after the last oil shock passed. Since then Japanese investment has been away from the physical plant and towards less visible intermediary sectors.

In California a virtual bus war occurred over the intermediary corporations 'telling' which bus lines to patronize. The feelings at this time were summed up by a San Francisco tour bus operator:

"... What we want to break through is a multinational monopoly that keeps a grip on the Japanese tourist and his money from the time he leaves Tokyo to the time he returns..."

The New York Times, 7, Dec. 1980:9

A subsequent court ruling disallowed this practice. However, similar practices exist in B.C. but not in a monopolistic fashion. Japanese intermediary corporations hand out vouchers, coupons and credit chits for various services such as restaurants, gift stores etc. This in turn influences the spatial flow and purchasing pattern of their customers.

SUMMARY

The recent opening and integration of Japanese tour intermediary offices in Vancouver follows similar trends in Hawaii, London, San Fransisco and New York. While the primary reason to open these offices is to host nationals their role needs examination. It could also be argued that these are just logical steps in the export and investment behaviour of the firm, one must ask what their ultimate effect will be and how policies could be structured to deal with them.

The interdependancy of Japanese corporate offices among cities allows not only for arrangements of Japanese travellers but also for others. For example, JALPAK now sells tours, based in British Columbia, to Mexico taking advantage of the weaker intermediary structure in B.C.

This chapter has outlined the general trends of integration and control of the Japanese corporation over the Japanese travel market. The next chapter will provide an overview and outline implications for Canadian tourism related planning.

V. TOURISM IN THE PROCESS OF INTERNATIONALIZATION: PLANNING FOR CORPORATE DIVISION

1. OVERVIEW

The purpose of this chapter is to summarize the impact of international tour intermediaries on regional tourism economies such as British Columbia. Regional tourism economies are considered to be both the physical resources and services plus the organizational network aiding the development, promotion and sale of tourism. It has been shown that a number of large, private organizational forces external to the tourism plant play a significant role in determining its use. Firm's desire to industrialize and manipulate public demand is seen as part of the evolutionary process of tourism development. This process can be simplified into a number of steps starting from initial, unaided tourist exploration to mass produced, highly organized tourist flows. This process, a result of incremental changes towards industrialization of trade patterns is problematic for planners because of its gradual and relatively uncontrollable effects.

Machlis and Birch (1983) in their attempts to formulate an integrated theory of tourism outlined this 'phenomenon' as a series of natural steps towards industrialization. As travel ties evolve the corporate relationship between host and guest region changes from a high ratio of locally-based decision making over the flow of tourists to a high ratio of foreign-controlled decisions.

At the community level a similar pattern was described as the natural cycle of tourism development by Butler (1980). To Butler a community involved in tourism trading evolves from hosting exploratory visitors to negotiating with external tourist intermediaries to bargain for the flow of tourists.

Taken to an international level the hypothesis that

. . . "Tourism indirectly causes the different national societies to become gradually interlinked in economic, social and cultural networks that are organized internationally on the basis of a central decision making body"...

Lanfant 1980:22

parallels other theories of tourism industrialization.

Unfortunately none of the above theorists set out to empirically analyze the process of integration. In analyzing the process of Japanese corporate integration into the B.C. tourism economy it can be explained as an evolutionary process related to the behaviour of exporting firms. As tourism trade evolves firms become active in the pursuit of new opportunities. Two strategies exist for intermediary corporations; becoming involved in trading relationships with other regional firms to export, or to invest and set up offices in receiving regions to facilitate the flow of tourists. These decisions are generally based on marketing (distribution, client base, promotional or monopoly advantages) and technical superiority.

International tour intermediaries acting as outbound agencies seek to 'export their nations imports' by keeping as much of the touring value at home as possible. This is actualized through the integration of their tour agencies

worldwide. However, a primary reason that multinational firms in all sectors open up trading offices abroad is to gain access to foreign markets. In tourism, regions are negotiated and traded abroad.

As firms learn to overcome barriers to entry their ability to integrate supply and demand factors to a certain level of interdependence allows them to manipulate the flow of tourists to their advantage. This flow becomes the firms industrial process forming the product that they sell, which alters the form and distribution of tourism in host regions.

There are similar parallels and policy concerns over a number of international service industries. A central, common argument over foreign service agencies is to enable foreign firms easier access to their home market. In the international banking industry, the maintenance of access to multinational firms is important to that firm's operation. It is evident from recent debate that policy analysis has undergone deeper treatment in service industries such as banking.

For tourism policy to be relevant, it must recognise the firm's ability to control tourism supply and demand factors stemming from the characteristics of multinational intermediary integration.

It must be recognised that as

"...the industry expands, there are still some underlying economic realities that cannot be dismissed. The existing division of power between tourist-generating economies and host ones will continue simply because marketing elements are crucial to the industry: whoever has the most effective access to the ultimate market will dominate, even if not control the international industry..."

Specifically, even if regions have development control over the creation of its tourism plant, intermediary interdependence of supply and demand factors may limit host region control over the flow of tourists into and within their region.

Clearly a similar process has been evolving in British Columbia with reference to the corporations organizing the Japanese tourist. To summarize, five steps can be outlined; exploration, promotion, industrialization, integration and systemization.

- 1) Initial exploration throughout western Canada by Japanese visitors began as early explorers and traders, later adventurist mountain climbers, then technical visitors in the mid-1950's.
- 2) When tourism travel was liberated in Japan, various promotional missions left western Canada to develop this trade.
- 3) As the results from the promotion and initial sales trickled in, corporate industrialization of this trade began.
- 4) As industrialization occurred, corporate integration followed.
- 5) Corporate systemization of the tourist flow to encompass more aspects of the travellers consumption is the last potential step of integration.

2. QUESTIONS FOR ADDRESS

There are potentially three areas of concern that host region planners should address for the role of transnational intermediation:

1) To what extent do foreign intermediary corporations influence the flow of tourists into and within the tourism economy?

Due to the nature of the Japanese tourist and Japanese corporation, tourism trade ties have evolved to a stage where Japanese based corporations now direct the flow of tourists in their interests. Western Canada is now part of the Japanese pleasure periphery. Japanese corporations now have the ability to manipulate the flow of tourists into and within various destinations.

At first sight it would seem that the role of regional tourist organizations is simplified and made more direct as a result of integration. If the aim of tourism is, "to promote and encourage the tourist industry in British Columbia." (Min.of Tourism Act 1980), equal concern must be given to understand the external forces which effect B.C's tourism economy.

With the transformation of travel to a sellers market as a result of integration, multi-national groups may begin to demand concessions from host governments to facilitate the flow of tourists (UNCTAD 1982, IUOTO 1976,1972, WTO 1976). Initial examples are already evident on two fronts regarding the Japanese tourist in B.C. Japanese tour operators are asking for

more assistance aid promoting their tour plans even though they only wish to sell a very narrow image of the region. Secondly, Tokyu Hotels Corporation is now looking for an opportunity to re-negotiate their contract for a joint-partner and may ask for concessions.

2) What effects do these intermediaries have on the host region and its tourism economy?

The distribution of benefits associated with the trade and flow of Japanese tourists is in the interests of the Japanese corporations. The change in trade flows from a number of smaller intermediaries to a few large, integrated corporations based out of Japan alters the pattern of trade not only geographically but also structurally. Large intermediary corporations alter trade preferences towards larger, capital intensive services destroying the notion that tourism, in this case, is a small, labour intensive enterprise.

Host region services are relatively dependant on intermediaries for international tourists. Intermediaries are in a position to bargain and selectively allocate the distribution of tourists. On a micro scale, practices such as gift store commissions and special bulk-rate hotel prices influence distribution patterns and reduce net regional benefit. On a macro-scale, the distribution of tourists to and within a host region is subject to intermediaries who can divert the tourists to other regions, an ability they may have if their control over tourist flows is as extensive as in the Japanese

market.

3) What are the broader planning implications and policy issues?

In a broader perspective there are three issues needing discussion; the economic effects of these enterprises, their social implications and associated environmental problems they may cause. From an economic perspective the leakages and opportunity cost of lost linkages associated with foreign enterprise needs more examination than was given here. Central to economic leakage is the extent of investment and integration of foreign firms.

With the Japanese travel market valued at \$26.7 million it generates about 2,300 jobs to the B.C. tourism economy if the market is representative of all markets. In a study of tourism multipliers in two B.C. regions, it was shown that approximately one job was created for every \$10,000 in travel spending (Liu, Quayson and Var 1982). However, with such highly structured travel patterns, it would lead one to believe that these net benefits would be somewhat less.

Highly structured travel flows raise at least two social issues. Local reception of a series of large, externally controlled groups of tourists would need negotiation. The impact of large groups on a community can be intimidating. Firm size and distribution practices (differentiation) are central here. Secondly, the image of the country projected to the tourist through these intermediaries is important. In discussions with Japanese consulate officials in Vancouver they

expressed problems associated with the 'feeling that the Japanese tourists receive a very narrowed and controlled image of this region and that the tourist feels he is being somewhat controlled'.

Third, patterned tourist flows have environmental implications. For example, Parks Canada officials are just beginning to recognise the problems associated with large, highly controlled groups on the natural environment (pers.comm Parks Canada). They are just now undertaking a study to determine the extent and best ways to deal with the flow as controlled by tour operators.

It is the social, economic and environmental effects of tour intermediary control which need further study. This thesis has outlined their ability to have impacts on a region as a cause. Past analysis of the tourism industry has examined what effects tourism has on the region and not the deeper structural questions of how these effects come about. It is clear that further reseach in these areas is needed.

Planning for a tourism economy that is aiding the organization and resulting structure of the industry is essential to local communities, regional economies and national systems aiming to foster an agreed upon development strategy. Because tourism, formulated as an industry, uses host regions and communities as a resource, sells it as a product, and in the process affects the life of everyone in those areas, the industrial form of tourism created through its organized parts is of particular interest.

To foster tourism planning, a more comprehensive development strategy would be based on public, private and external inputs into the organization of the tourism industry and how it is processed. Policy directives could investigate methods of integrating smaller enterprises into the larger intermediary system, aim to control leakages and foster links, address the overall structure of the industry, and, in the end, help facilitate more self - directed community - enterprise. These could all lead to a better organization enabling all players to be involved in the process of selling tourism. Such policy directives are outlined below.

2.1 Regional Planning

At the regional level efforts to integrate the tourism industry into the economy have generally taken a systems approach. The main goal of these approaches has been to 'develop the industry' without any true definition of what type of industry they desire or at what costs. Unfortunately, most tourism planning approaches have examined the allocation of infrastructure and industry services without investigating the forces influencing the ultimate use of the facilities. A common goal would be to integrate tourism into a viable regional product which complements existing economic activities without significantly altering social or environmental concerns.

In British Columbia,

"...it is apparent that there was a lack of an appropriate industry image, in initiating and implementing plans and programs; in the past several years, the Tourism branch has been located in several ministries, generally understaffed and primarily

involved in research, marketing and promotion with little or no comprehensive planning or development activity..."

Marshall, Macklin, Monaghan 1979 p22

The B.C. government has historically left the organization of industry sectors to industry itself. The government's main role in resource sectors has been as a facilitator in the disposal of public resources such as timber, mineral and water rights. The tourism industry has followed a very similar role, it has been involved in the promotion of the tour service resources through marketing campaigns, etc. As the other resource sectors have evolved into a more mature state, the tourism industry has just begun the process of industry organization, policy and rationalisation.

Directions lent the industry by the provincial government through the TIDSA agreement reflect the lack of organisation and policy. The focus has been towards project- -style development and away from comprehensive planning and policy (Antonson 1983). Policy development is crucial not only due to the infancy, growth and disorganized state of the industry but also to guide it through the number of potential conflicts of interest that it confronts- -inter-industry, resource, host-guest and corporate interest/regional growth problems.

It can be observed by examining the process of administering the TIDSA programme that government priorities have been away from rationality and organisation and towards larger scale project-oriented developments. This process has facilitated large business vs small enterprise and increased the

rate of incremental change tourism stimulates.

A major study of the process of TIDSA implementation was shown that

" . . . The rush to develop project construction ahead of planning and the attempt to co-ordinate numerous sectors revealed delays and frustration over the ultimate goals and methods to achieve them..."

Montgomery and Murphy 1984

In a systematic study of the programme objectives, it can be shown that little attention was paid to the items considered most crucial to the tourism industry, organisation and policy direction, while efforts were channeled blindly into development (see Ference 1982).

The TIDSA programme had spent 80 per cent of its' funds before the regional tourism strategies were released even then without public consultation. The objectives outlined were not followed and, according to industry officials 'expenditure continued to be allocated to various projects without rationality' (Ference 1982). As can be observed, funding was allocated away from organization and towards development.

While aiming to foster local and small development, TIDSA has generally adopted a mega-project strategy which ultimately plays into the hands of the larger corporate interests. Without an organized structure, local and small enterprises have a harder time gaining access to the large, integrated tour intermediaries. In addition, the tourism region could have relatively little control over the flow of organized tourists and their impacts.

It is clear that regional tourism strategies must place inter-industry and industry-community communication and organization high on their task list. Organizational initiatives enable regions and communities to help shape the pattern of tourist travel and therefore the impacts. The tourism industry is made up of organization and promotion. Without regional input, benefits could be less than costs.

2.2 Regional Promotion

The international sale of regional tourism economies can take on a number of different promotional forms, each influencing tourist behaviour. These include direct marketing and advertising, marketing-trade missions, hosting tour agents and press, and establishing overseas offices. The effect of any of these strategies changes when intermediaries play a dominant role. Efforts to control the image of tour regions make host region promotion more difficult to be equitable and efficient to the entire industry.

In B.C. strategies of hosting press and operators as well as having direct promotional missions have been adopted. While these methods are effective, they do not allow the same type of representation a trade office does. Small enterprises and backward regions do not have the same opportunity for representation.

In discussions with industry officials, they felt it easier to deal with the offices of the Alberta Government located in Tokyo. Their argument was that more enterprises and regions could be represented more effectively. As a result, the smaller

enterprise has more input.

2.3 Local Planning

Communities must learn to deal with tour intermediaries to develop an agreed upon image and method of representation. Intermediaries can manipulate volume, pattern and costs of tourist flows, all of which are important. On a local scale, community tourism planning has mostly been based on promotion and not organization. Communities are often planned to accomodate residents and not visitors. Visitors, like residents impact the community especially when they are channeled through a select programme by intermediaries. Organization of visitor flows within a community would aid in the successful acceptance of the industry by residents. The effects of an unorganized tourism industry on the social, economic and environmental fabric of the community are well documented (Wall 1983, Murphy 1983).

Strategies to aid in the planned development of tourist communities have expressed a number of common points which have similar application in light of the above findings:

- (1) Communities must define their role in the tourism process. They have a number of choices relating to the degree of activity and level of integration they desire within the tourism system.
- (2) Local organization is critical to the successful sale of a community abroad. An unorganized flow of visitor traffic through the community can raise a number of conflicts.
- (3) Promotion of the community as a community is essential to controlling the image of the community. This makes the

community a saleable product that can be negotiated with tour organizers.

(4) Locally defined tolerance limits or carrying capacity enables the community to attempt to define the extent of involvement it wants in the industry.

(5) Close relationships with either public agencies is essential to ensure the proper representation and sale of the community abroad.

3. NATIONAL PLANNING

National concerns have been directed towards aiding regional economic development. The strategies employed can be split into two camps, development and promotion. Tourism development, as described in chapter one, has been fostered through regional incentive grants to aid in infrastructure. The federal government has also aided in regional planning strategies.

Tourism promotion has been fueled by three programmes which aim to integrate the distribution of tourists with the pre-planned tourism space economy. Rendez-vous Canada is a buyer/supplier marketplace which brings together prospective firms developing and offering services for tour intermediaries. Famtours is a programme developed to educate and familiarise foreign intermediaries and press by escorting them through different areas. Canmap provides assistance to Canadian tour intermediaries to develop tour programmes for foreign customers. The last programme is being discontinued at the end of this year.

These programmes exist in spite of the view that

" . . . Much of the promotional effort of the industry and government has been on vague advertising campaigns extolling the scenic and cultural virtues of Canada or some particular province. While this was virtually the only available avenue of encouraging the footloose American tourist, the overseas visitor requires not only the potential attractions but also specific formulas for visiting Canada..."

ITQ #2, 1981:37

It is clear that programmes and policies must be developed to better integrate the tour intermediary into the planning process. However, federal responsibility for the industry is limited to a nation-wide perspective and it is up to the regions to develop specific, co-ordinated formulas to distribute the tourist to and within their region.

There are three areas of national policy which need further address. Regulation policy in the domestic airline industry is currently being rationalised. This may soon be carried into the international sphere where bi-lateral treaties dictate flight agreements. The effects of U.S. deregulation on U.S.-Japan flights was dramatic. Within 18 months three airlines opened new routes to Japan. This has two consequences of relevance to this thesis. First, due to the limited capacity of Japanese airports, it seems that the possibility of additional Canadian routes to that country are limited. Furthermore, as demand for travel rises, intermediaries with association with these American airlines are likely to jump into the Japanese tour market to B.C. further disenfranchising regional control over the flow of tourists.

Second, the role of Canadian offices abroad needs deeper

study in light of the role of intermediary influence. The more aware and educated a foreign public are about a country, the more likely they are to use a Canadian tour operator.

Third, decisions handed down by the Foreign Investment Review Agency (FIRA) have allowed Japanese intermediary firm the ability to distribute their nationals within Canada but not to develop secondary Canadian markets to other nations. Similar policy exists in the banking industry to eliminate the possibility of foreign service industries from controlling the industry. Similar policy would maintain similar objectives.

4. CONCLUSIONS

The trade of international tourists from market regions to host regions is highly complex. It has been shown that international intermediaries act as the organizers of the tourist flow for Japanese tourist travellers to B.C. Intermediaries are architects of the industrial tourism process. This role makes them central to the distribution of tourists and their impacts.

Regional tourism development policy has focused on project developments to create a larger tourist plant in ignorance of market organizers and their role in the distribution process. While the merits of development cannot be dismissed, the ultimate consequences of a mismatched policy can cause either an excess or dependent capacity of tourist plant and workers. It is imperative that tourism planning move beyond the project initiative stage and into the heart that forms the industry--the organization of a series of services that forms the tourism experience and, eventually serves to distribute its impacts. As

this thesis has shown, external forces of organization have the ability to organize the flow of tourists potentially beyond regional interest.

APPENDIX A - JAPANESE TOUR PACKAGES TO BRITISH COLUMBIA

Tour brand name - Company affiliation

1. Greening Tour - Hankyu Express International, Tokyo.
2. Jetour/Kanata - World Tour Operators, Tokyo.
3. Jalpack - Japan Creative Tours, Tokyo.
4. Diamond Tour - Mitsubishi Co., Tokyo. *
5. Happy Tour - NNR-Nishitetsu Travel, Tokyo.
6. Hello Young - Yamashin Travel Service, Tokyo. *
7. Value Tour - Vivre International, Tokyo.
8. Super Tour - Vivre International, Tokyo.
9. Holiday/Silver Tour - Kintetsu Int., Tokyo.
10. Mach - Nippon Travel, Tokyo. *
11. Maple Valance - Naigai Travel, Tokyo.
12. Look - Japan Travel Bureau, Nippon Express, Tokyo.
13. Elk/Dynamic Tours - Nippon Express, Tokyo.
14. Playguide Tour - Playguide Tours Inc., Tokyo.
15. Top Tours - Tokyu Tourist Corp., Tokyo. *
16. Leisure Tours - Funi Tour Int., Tokyo. *
17. Blue Guide - Hitachi Travel, Tokyo. *
18. Yomiuri Tours - Yomiuri Travel, Tokyo. *
19. Groovy Tour - TEC Air Service, Tokyo. *
20. Let's Go Tours - Lets Go Tours, Tokyo. *
21. Good Luck Tours - Good Luck Co., Tokyo. *
22. Sun & Sun - Sun &Sun Co., Tokyo. *
23. Alpine Tour - Alpine Tour Service, Tokyo. *
24. Smile Tour - Seiko Travel, Tokyo.
25. Fellow Tour - Fellow Travel, Japan.

26. Orange Tours - Universal Tours, Japan.
27. Worldgate Tours - Worldgate Tours, Japan.
28. Youth Tours - Global Youth Bureau, Japan.
29. Skyland Tours - Skyland Travel, Vancouver.
31. Viva Tours - Japan Travel Bureau.
32. Canada Tour - Nikko Travel, Japan.
33. Elk Tours - Nippon Express, Japan.
34. Dynamic Canada - Nippon Express.
35. UBC Tours - Nippon Express.

* Tour Packages not handled in this study.

APPENDIX B - INTERVIEW OUTLINE

The following information was sought from each interview.

The following information was sought:

1. Corporate history - Length of business with the Japanese tourist trade.
2. Affiliation - Connections with other industry intermediaries, length of affiliation and nature of affiliation.
3. Tour packages handled - Which packages they serviced, with which firms, estimated annual volume per package.
4. Projections on future changes - Growth, decline, assimilation, integration.
5. Economics of operation - Costs of conducting business, advantages of scale and/or affiliations, opportunities, constraints.
6. Distribution of tourist flows - The macro (to what areas of western Canada) and micro (using what services) aspects of their tour plans.

This information was then used to conduct an industrial organization analysis.

APPENDIX C - DEFINITIONS

Ground operator: A company or individual providing such services as hotel accomodation, sightseeing transfers etc. exclusive of transportaion to and from the destination.

Receiving Agent: A tour operator or travel agent who specializes in services for incoming visitors.

Tour Operator: A company which creates and/or markets inclusive tours and/or subcontracts their performance. Functions generally include advertising, flyer distribution and reservation operations of a tour.

Organized Tour: The development by tour intermediaries of a packaged, group or inclusive tour.

Package Tour: A saleable travel product which offers, at an inclusive price, several or more travel elements which would otherwise be purchased seperatly by the traveller.

Conducted Tour: 1) A prearranged travel program, usually for a group, escorted by a courier. In a fully conducted tour, escort and/or guide service is provided throughout. 2) A sightseeing program conducted by a guide, such as a city tour.

Distribution Channels: The system of negotiations and aggrements and negotiations between market and destination intermediaries to create the flow of tourists into and within destination regions.

Land Arrangements: All services provided to a client once he has reached the destination.

Net Net rate: A wholesale rate offered to tour wholesalers from tour service industries.

Net Rate: A wholesale rate provided to retail travel agents from tour wholesalers.

Supplier: The actual producer of a unit of the tour system; a carrier, hotel, sightseeing tour etc.

Market Region: The home country of the tourists. Also known as the Originating or Generating country.

Destination Country: The country in which the travel product is experienced. Also known as the Host or Receiving country.

Tourist: Any visitor who stays in a host country for more than 24 hours.

Industry Intermediaries: Those agents, operators, wholesalers, and brokers forming part of the distribution channel.

Inbound Travel: The negotiation of travel from foreign countries into home nations.

Outbound Travel; The negotiation of travel from home countries

A Functional Breakdown of Tour Intermediary C

Retail/Distribution	Wholesaling	Tour Packages/Groups	
=====			
STAGE I. CORPORATE INTEGRATION - INTEGRATED FUNCT			
1. Japan Travel Bureau (JTB) 376 Outlets (JTB, Japan)	JTB International	'LOOK' (25% NEC) 'VIVA'	6
2. JTB Retail	Pacifico Creative Services (PCS) JCT Subsidiary (West coast only) (Japan Airlines Subsidiary)	'JALPAK'	4.5
3. Nippon Express (NEC) (NEC Freight Forwarding, Japan)	NEC Japan, San Francisco	'ELK TOURS' 'DYNAMIC CANADA' 'UBC TOURS' (25% Look Tours)	4.0
Total			14.5
% of Grand Total			
STAGE II. APPOINTED OFFICE - 'SHELL' COMPANIES ACTIN			
1. Many Agencies	Playguide Tours Inc. (Japan)	'PLAYGUIDE CANADA'	3.7
2. Many Agencies	Vivre International (Japan)	'SUPER TOURS' 'VALUE TOURS'	
3. Kintetsu Int. Tour Co. (Kinki-Nippon, Railway Japan)	Kintetsu Int. Tour Operations Centre (San Francisco) My Tour (Vancouver)	'HOLIDAY' Tour Group Tours	1,000 2.70
Total			8.70
% of Grand Total			

III. REPRESENTATIVE OFFICE - NON JAPANESE COMPANIES SELL THEIR TOUR OPERATION SERVICES TO MAJOR WHOLESALERS (Company Types "A-C" Negotiating with "D-F").

1. Fellow Travel Ltd. (Japan)	Fellow Travel	'FELLOW TOURS'	5,000	Cana-Pak	Cana-Pak	-
2. Universal Tours (Japan)	Universal Tours	'ORANGE TOURS'	900	Cana-Pak (Total 5,900)	Cana-Pak (600 for J.T.B. not included)	-
3. Naigai Travel (C. Itoh, Japan)	Naigai Travel	'MAPLE VALANCE'	950	Trans-Pacific Tours Inc. TPT (1974) (100% C.P. Air Vancouver) (40% C. Itoh 1974-1979)	TPT	-
4. Hankyu Express (Hankyu Railway, Japan)	Hankyu Travel	'GREENING' Tours	350	"	"	-
5. Jetours; Joint-Naigai, Hankyu, Tokyu Travel	-	'KANATA' Tours	1,600	"	"	-
6. -	-	Others	2,000	" (Total 4,900)	(900 UBC Tours for NEC not included)	-
7. Worldgate Tours (Japan)	Worldgate Tours	'WORLDGATE' Tours	1,300	T.A.C. Holidays Vancouver (100% T.A.C. Seattle)	T.A.C.	-
8. Global Youth Bureau (Japan)	Global Youth Bureau (GYB)	'YOUTH' Tours	1,300	"	"	-
9. -	Nippon Travel and Others...	Others	1,400	" (Total 4,000)	"	-
10. Odakyu Tours	Odakyu tours	-	1,000	Japan Travel Corporation (JTC Vancouver)	JTC	-
11. Yamauchi Tours (Newspaper Company)	Yamauchi Tours	-	1,000	JTC (Vancouver)	JTC	-
12. Seiko Watch (Japan)	Seiko Travel	'SMILE TOURS'	1,800	Maple Fun Tours (Vancouver)	Maple Fun	-
13. Nikko Travel (Japan)	Nikko Travel	'CANADA TOUR'	700	Canadian Odyssey (Vancouver, Toronto) Office	Canadian Odyssey	-
14. Many	Skyland Holidays (Vancouver)	'SKYLAND' Tours	1,000	Skyland Tours (Vancouver)	Skyland Tours	Forms & Distributes own packages
Total			20,300			
% of Grand Total			47			
GRAND TOTAL			43,000			
% OF ESTIMATED TOURS TO WESTERN CANADA ¹			80			

¹C.P. Air group passenger data extrapolated for the entire market. CP and JAL occupy approximately equal market shares.

For individual Japanese visitors, a group estimate can be made by multiplying CP's average load factor (.80) x seat capacity (370) x number of flights (270) x average ratio of Japanese passengers (.32) for an estimate of all Japanese visitors on C.P. flights Tokyo-Vancouver (25,575). A rough estimation can be made that 90% or 46,000 of direct air passengers on Tokyo-Vancouver flights travel in groups.

In interviews with tour intermediaries, 90% of their clientele came from these direct flights. The remainder from the Western U.S.A. A total estimate for grouped tours into B.C. can then be calculated at 46,000 + (46,000 - (.90) (46,000)) or 50,400. To double check this figure roughly matches the ratio of Japanese group to individual overseas travel at 50,400 ÷ 63,907 or 79% just below 83% determined by JNTO for 1983. This assumes all group packages were surveyed. If anything, the proportion of group travelers would be greater.

Appendix D

Corporations Handling Japanese Packaged Group TOURS to B.C. 1983

Volume 1983	1983 Vancouver Tour Operation	1983 Ground Operation	Past Arrangements

MS LINKING TOKYO-VANCOUVER (Company Type A & B with some Subcontracting).			
00 (Total)	JTB Vancouver (1983) Inc. (100% JTB Japan)	JTB Vancouver and Others (B. IWATA 2000, 1983)	1964 - 1984 JTB, San Francisco 1968 - 1982 Cantour Vancouver 1976 - 1983 Canapak. 1964 - present 1964 - present on & off CP IWATA travel
00	PCS Vancouver (1975-) (100% JCT Japan)	PCS Vancouver 1975 -	Cantour, B. IWATA and others 1964-1975 1964-1975 San Francisco Office Directives
00 (Total)	Nomuta Express (1977) (Appointed Shell Office) 1984. N.E.C. Vancouver	Nomura Express Vancouver 1975 - TPT UBC Tours, 900	NEC San Francisco 1964-1984
000 33			
DIRECTLY FOR A JAPANESE PARENT (Company Type "B" with a Shell Type "E" Office)			
00	Playguide Tours Inc. (1983) Playguide - Vancouver Joint-Venture	Playguide Tours Inc. (J & C Tours Vancouver, 1500, 1983)	1968 - 1983 Various Appointed, representative offices
50 00	Vivre International Vancouver - Vivre Japan Joint-Venture	Vivre International Vancouver, 1978 -	-
00	My Tour (1982) (Appointed Shell Office)	My Tour	1964 - 1984 Kintetsu San Francisco 1968 - 1982 Cantour (Vancouver) and others
00 00			

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