Development of resort and tourist potential as a promising avenue of socio-economic growth in Russia

Anna Alexandrovna Silaeva, Marija Anatol'evna Atamanova, Nelli Avtandilovna Chkhikvadze

Russian State University of Tourism and Service. Glavnaja Str., 99, pos. Cherkizovo, Pushkinskij r-n, Moskovskaja oblast', 141221, Russia

Abstract: Russia is quite attractive country for foreign tourists. It has great potential for tourism, which currently is not used in full. The authors note that, despite the growth of inbound tourism, Russia's tourist income is significantly lower than that in other countries, showing similar growth of inbound tourism. Implementation of tourism development programs in Russia is not as successful as planned initially. It is noted that the incorporation of the Crimea and Sochi Olympic infrastructure have significantly strengthened the resort and tourist potential of Russia. This poses new challenges to attract tourists to these regions, including the dynamic promotion of the resorts attractiveness both in Russia and abroad, providing conditions to attract investors, and the development of public-private partnerships.

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Introduction

Since 1950-s of the XX century tourism has demonstrated the continued development and diversification, and currently is one of the largest and fastest-growing sectors of the world economy, which contributes to economic growth in both developed and developing countries [1] .

Today tourism is considered as the driving force of economic and social progress. This is due to export earnings, job creation and infrastructure development [2]. International tourism generates 1.4 trillion USD of export revenue; 29% of world services exports and 6% of total goods and services exports fall within tourism [3].

Almost all regions of Russia have a certain development potential, however, it is used inefficiently.

Solving problems of more complete and efficient use of the country's tourist potential becomes especially relevant in relation to incorporation of the Crimea to the Russian Federation and the need for payback of tourist facilities, built for the 2014 Olympic Games in Sochi.

Main part

The global crisis of 2008 was a powerful factor influencing the tourist market. It attracted attention of the Russian government on the opportunities to revitalize internal business environment and, at the same time, resources to replenish the state treasury, which until recently were used insufficiently. In no small part this concerns inbound and domestic tourism.

As a country with a rich cultural and natural heritage, Russia, for the past two years, is among the top 10 most attractive tourist destinations. As of the end of 2013 the Russian Federation showed 10.2% growth of this indicator and retained 9th place in the world in terms of a number of international arrivals [4] (Fig. 1).

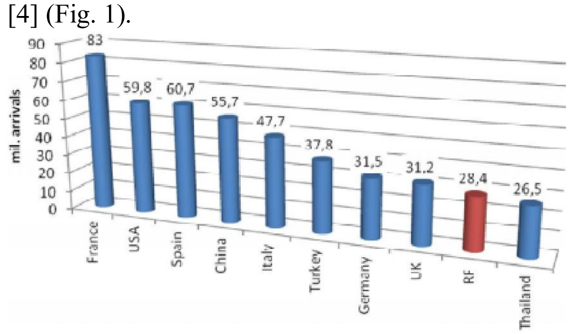

Fig. 1. Top 10 countries in the world in terms of a number of international arrivals as of the end of 2013.

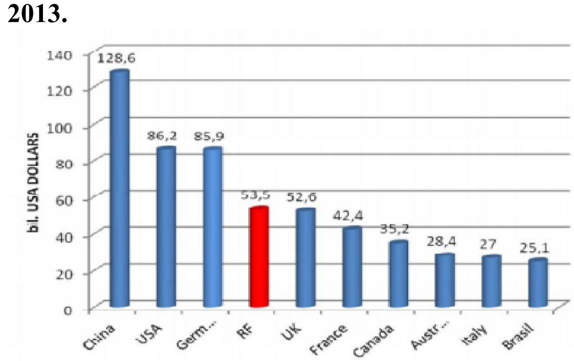

Fig. 2. Top 10 countries in the world in terms of tourist services import as of the end of 2013.

In the ranking of the top 10 largest countries in terms of tourism expenditure, the Russian Federation in 2013 rose to higher position and took 4th place in the world (Fig 2).

It should be noted that for the period from 2010 to 2013 volume of tourist services imports in Russia increased more than twice.

Average per capita tourist spending increased from 189 USD in 2010 to 374 USD in 2013. In terms of average tourist income per capita as of the end of 2013, Russia ranks 7th place, being ahead of the USA and China (Fig. 3).

Tourist services export growth ratio was 30.9%. Analyzing the dynamics of inbound tourism, first of all, we can note its unstable nature: figures, showing tourist arrivals and export revenues since 2000, then rose, then fell. Furthermore, despite the growth in the number of foreign nationals, arrived in the country in 2013, tourist revenue of Russia is almost five times less than in other countries, which show similar growth of inbound tourist flow.

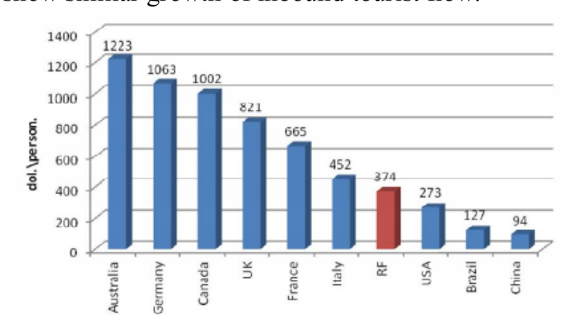

Fig. 3. Top 10 countries in terms of the average tourist income as of the end of 2013.

A significant excess of imports over exports in tourism services leads to balance of payments deficit in tourism industry [5] (Table 1).

Table 1. Key indicators of the Russia tourist market development during 2010-2013.

Indicator	2010	2011	2012	2013	Growth, %	
					2013/2012	2013/2010
Imports of tourism services, million USD	26693	32902	42 798	53453	124.9%	200.3%
Tourist expenditure per capita, USD	189	228	302	374	123.8%	197.9%
Export of tourist services, million USD	8830	11 328	10 759	11 988	111.4%	135.8%
Tourist income per capita, USD	64	78.5	75.9	83.8	110.4%	130.9%
Foreign trade balance of tourism services, million USD	-17863	-21574	-32039	-41465	129.4%	232.1%

As it is obvious from Table 1, during the period under review, negative trade balance of tourist industry in Russia increased by 2.3 times.

The ratio between the total number of incoming and outgoing tourists, according to the Ministry of Culture of the Russian Federation, should be equal, whereas in Russia this ratio is 1:4. Thus, the current situation indicates a lack of tourism development in Russia.

In addition, despite the significant upward trend of inbound tourism, in the global competitiveness ranking of the tourism sector, following the results of 2013, the Russian Federation took 63rd place, dropping down by 4 ranks in comparison with the previous ranking results, conducted in 2011 [6].

The positive competitiveness factors of the tourism sector in Russia include natural and cultural resources, as well as developed air transport and telecommunications infrastructure.

Among basic "weaknesses" of Russia we can note relatively low quality of available infrastructure and accessibility of tourist facilities, the lack of security (for example, the number of accidents on the roads), and low efficiency of state policies towards tourism development. An effective utilization of rich tourist resources in Russian regions is constrained so far by underdeveloped business environment and still low price competitiveness of offered tourism products.

Support of domestic and inbound tourism at the state level is essential prerequisite to eliminate these problems and to ensure sustainable development of the tourism industry. Exactly these types of tourism directly invest national economy, stimulate the development of related industries, such as construction, hotel industry, transportation, trade, foodservice, and other services. The main task of the state is to bring up domestic tourist traffic to the global level, i.e. to reach about 80% of the total tourist flow.

It should be noted that in recent years the tourism sector in Russia has already received strong impetus. Far East, Sakhalin, the Kuril Islands, the Urals, the northern regions, cities of Nizhny Novgorod and Samara have become more accessible for foreign tourists. In addition, much has been done in terms of tourist servicing during the 2014 Winter Olympics in Sochi.

In order to alleviate the imbalance between outbound and domestic tourism, improve the quality of tourism products, a number of federal programs were launched, and primarily, industry-specific federal program "Development of domestic and inbound tourism until 2018". In addition, there are also some non-departmental programs for infrastructure development of domestic tourism.

However, yet the implementation of the programs is not as successful as planned initially. Thus, according to the results of an external test of the Federal Law enforcement "On the Federal Budget for 2012 and the planning period of 2013 and 2014", conducted by the Audit Chamber of the Russian Federation, six (66.7%) indicators out of nine planned benchmarks and targets were failed.

Besides, the implementation of measures to create tourism, recreation (TRC) and auto-touristic clusters (ATC) is performed with a lag of about one year, both in terms of scheduled time and financing.

Despite the failure of some targets in tourism industry development, it should be noted that Russia poses a strong enough potential for tourism and can take a strong position, as all necessary capabilities and scopes are available.

In 2014, Russia has significantly increased its tourist potential. Thus, for the Sochi Olympics, about 40 accommodation facilities were built and reconstructed. Hotel room capacity increased by 2.5 times and amounted to 40,000 rooms. About 925 accommodation facilities were rated. These resources allow Sochi to accommodate 4.5-5 million people annually.

During the preparation for the Olympic Games almost 400 kilometers of roads, 200 kilometers of railway, 22 tunnels and 54 bridges for trains and suburban trains were built. Moreover, thanks to the Olympic project, Kuban has got enormous sports facilities for winter sports that includes number of ice-palaces, ski and sledge, bobsleigh runs, hills and related infrastructure, as well as four ski resorts with a ski trail length of 150 kilometers.

Tourism infrastructure, inherited from the Olympic Games, should convert Sochi into year-round resort, which implies involvement of coast hotel fund into a ski vacation, extending the high season and its "racetracking." This will allow Russia to compete with Turkey, Egypt, and Greece.

Projected value of annual revenues from the use of post-Olympic facilities is about 10-15 billion rubles a year.

Created hotel room capacity, excellent service and a contemporary transport infrastructure will allow Sochi to enter the international market and acquire the status of a world class resort. This can be seen by a number of foreign tourists, which in recent years has increased more than 2.5 times. In order to increase the tourists flow to the resort by 10-12%, Sochi tour operators will have to enter the international tourism market, however, this avenue is almost not developed.

As a result of the incorporation of Crimea, Russia has received another potential center of domestic tourism. Currently, 825 tourist camps, about 20 hotels, offering "all inclusive" services, 92 children recreation camps (29,603-beds) and 31 children's sanatoriums (14,846 beds) are offering services on the peninsula. There are 11.5 thousand architectural and cultural monuments, six reserves, 500 km coastal strip, which offers 575 beaches, including 400 public beaches.

However, most of the sanatorium and resort objects of Crimea are in a dilapidated condition, and do not meet the Russian health-epidemiological standards.

To ensure sufficient tourist infrastructure in Crimea, it necessary to invest about 4.5 billion USD, of which 2.8 billion USD is required for the restoration of transport infrastructure and about 1 billion USD is necessary for the restoration of recreational facilities.

In Crimea, resorts and tourism are the principle items of the regional budget and earnings of private entrepreneurs. According to experts' assessment, the Crimean tourism industry, accounting for 6 million tourists, generates annual income of about 200 billion rubles. At that, 30% falls on tourists' accommodation cost; 40% is tourist expenditures on food, souvenirs and items of general use; 30% is tourist expenditures on entertainment and transport services to travel around the Crimea.

At the beginning of the holiday season of 2014, the sanatorium and resort facilities in Crimea were filled to 37%. Decline in tourist traffic in the beginning of this holiday season is due to the transitional period and the reduction of tourist arrivals from Ukraine, which accounted for about 62% of tourist traffic in Crimea.

Even today we can say that the income deficiency from tourism in Crimea is about 20% less as compared with the indicators of the last year. Now the important task is to prevent further losses and stop at this marginal figure.

The main constraining factor of domestic tourism at the moment is poor transport accessibility and high transportation price for Russian tourists. In terms of transport accessibility, Sochi has much more advantageous position than the Crimea, which is connected with Russia only by ferry service across the Kerch Strait, while ground transportation for the Russians via the territory of Ukraine is quite problematic.

Currently, the state is taking measures on accommodation facilities occupancy and improvement of transport accessibility in the Crimea.

A governmental program on subsidizing round-trip flights to/from the Crimea peninsula in the upcoming summer season has been developed. This will require additional funds from the federal budget in the amount of 678.5 million rubles. The limit value of the special one-way tariff per person inclusive of all fees will vary from 2 to 6.8 thousand rubles depending on the route. Easy transportation plan applies to all passengers without limitation, including foreign tourists. The projected annual throughput for the period from June 1 to October 31 to the destination to/from Simferopol will amount to 200 thousand passengers.

According to the transport and logistics transportation scheme in the Crimea, an “entire ticket” was implemented in the test mode for taking the train, bus and ferry. At that, passenger carrying capacity since the beginning of April increased significantly: 2.5 times for the ferry service and 2.4 times for road transportation. The route from "Caucasus" port to "Crimea" port is currently served around-the-clock by three ferries: "Nikolay Aksenenko" with capacity of 261 passengers and 47 vehicles; "Kerchensky-2": 215 passengers and 31 vehicles; and "Yeisk": 175 passengers and 31 vehicles. Since May 1, 2014 the root between "Caucasus" "Kerch" ports, as well as between "Anapa" and "Kerch" ports are served by passenger catamarans "Sochi-1" and "Sochi-2" with capacity up to 300 passengers. These ships can carry up about 2.5 thousand people per day.

Further solving of transport problems towards the provision of tourist traffic to Crimea depends on restoration of unhindered rail and road communication between Crimea and Ukraine, as well as providing unchecked transit through Ukrainian territory that could be one of the conditions in bilateral negotiations with the Ukrainian party.

Following the resort optimization plan, these measures supposed to be done by introducing the "all inclusive" services and the development of the gaming zone. Another project, named "Support your Crimea», has been recently launched as well. One of its main aspects is to implement promotional and informational activities in order to advertise recreation and attract tourists to the peninsula in 2014.

With a purpose to the fullest and most effective use of the tourist potential of the peninsula, it is necessary to develop special subprograms, or at least, a road map for extension in Crimea of various types of tourism, such as children and youth tourism, cultural and educational tourism, military and patriotic tourism, ecological tourism, cruise tourism, as well as health resort treatment, etc. during 2014-2015.

It should be noted that the Crimea and the Krasnodar Territory are not competitive destinations for tourists; they complement each other. In terms of logistics and environmental conditions this is a single tourist cluster. These two resorts are destined for tourists with different income levels. Tourists have a choice between more comfortable and expensive vacation in Sochi and budget recreation in the Crimea.

Thus, the potential for actual growth in tourist traffic in the Crimea and the Krasnodar Territory is really great. Though, the implementation of this task requires solution of at least three fundamental problems.

First, to provide a clear-cut positioning of each of the tourism cluster resorts and active promotion of the attractiveness of the tourist potential of these regions both in the country and abroad.

Secondly, it is necessary to provide favorable conditions to attract professional investors through the development of investment mechanisms, such as:

- co-financing of budget and investments funds (for example, budget funds can be directed to providing infrastructure, while investments can be used in developing tourist and recreational objects);
- partial subsidizing of interest on loans of commercial banks to support the tourist process owners;
- providing grants for the development of certain types of tourism.

Third, success in the development of inbound and domestic tourism can be achieved through the mobilization and coordination of the three main participants of the economic process: the central government, local authorities, and local businesses. Federal authorities, according to current government priorities, determines the overall development vector, and launches a package of measures aimed at creation of a favorable business climate in the tourism industry and encouragement of local business initiative. Local authority selects available specific mechanisms and tools that are most relevant to local traditions and conditions. The response strength and scope of local small and medium-sized tourism businesses are strongly dependent on successful activities of the local authority in this regard.

Conclusions

Under the complex conditions of the global economy, redistribution of tourist flows from inbound to domestic destinations becomes especially important. Domestic and inbound tourism can become a powerful factor for socio-economic growth of Russia. In general, almost all regions in Russia have great potential for tourism, which with proper and effective management can become a "growth point" and additional lucrative source of local and regional budgets.

In 2014, Russia has significantly strengthened the resort and tourist potential due to the incorporation of the Crimea and the broad introduction of additional tourist infrastructure facilities, constructed for the XXII Winter Olympics in Sochi.

It is concentration the efforts on the creation of high-quality competitive unique cluster, including the Crimea peninsula and Krasnodar Territory, rich by variety of tourist products offering the European level of service, is able to create new jobs, reduce the export of capital as a result of Russian tourists traveling abroad, as well as to ensure the sustainable development of territories.

Corresponding Author:
Dr. Silaeva Anna Alexandrovna
Russian State University of Tourism and Service.
Glavnaja Str., 99, pos. Cherkizovo, Pushkinskij r-n,
Moskovskaja oblast', 141221, Russia.

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