



The future of tourism in Iceland

Part IV: Funding the vision

September 2013

THE BOSTON CONSULTING GROUP

Context and structure of document

From October 2012– July 2013, BCG conducted an independent report on the long-term tourism strategy of Destination Iceland. The project, which was carried out in Reykjavik, was commissioned by a consortium of private Icelandic companies, including Icelandair Group, Isavia, Blue Lagoon, and Holdur / Europcar.

This set of documents contains the output from the project. It is structured in 6 parts:

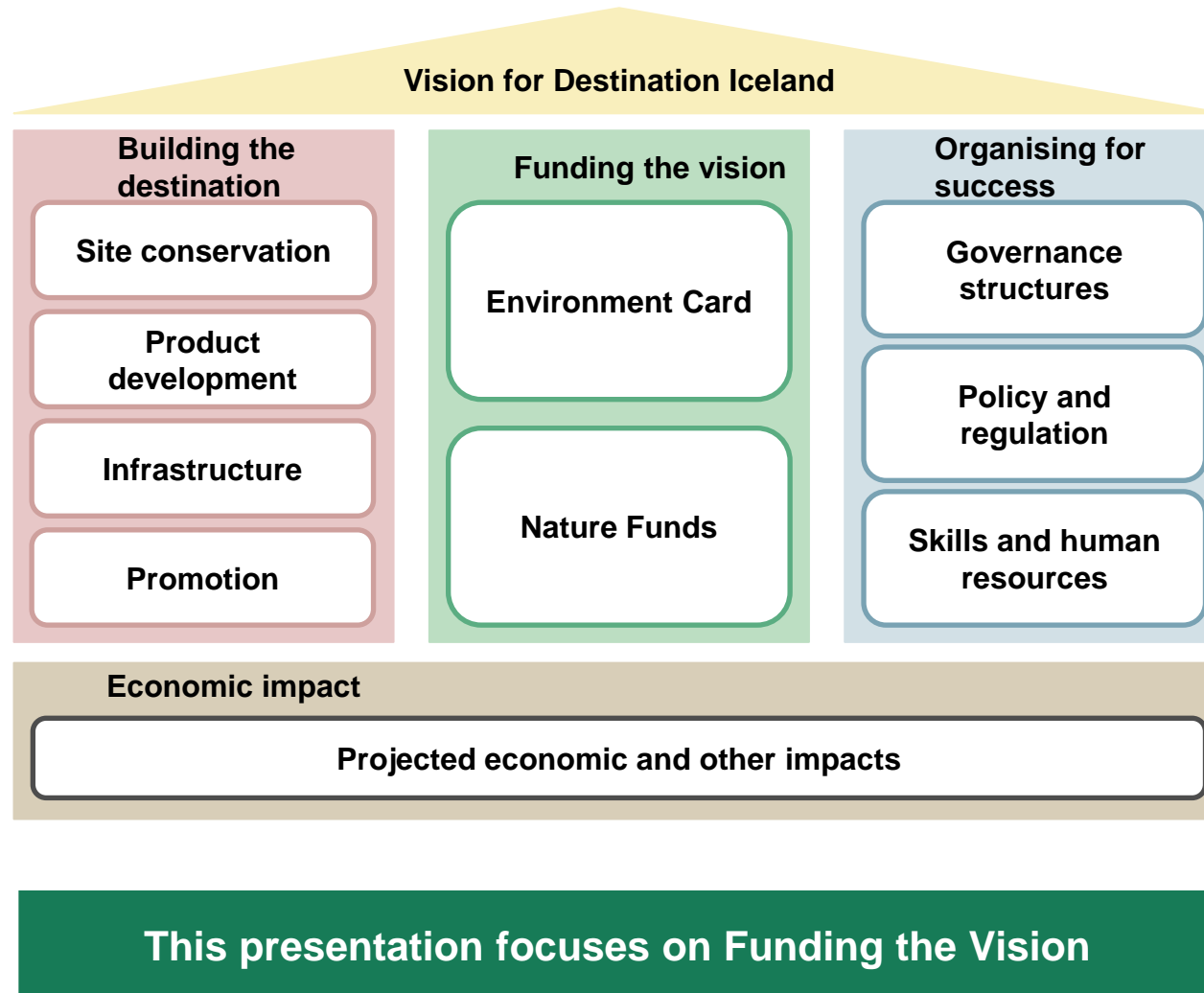
- Part I: Context - Icelandic tourism today
- Part II: Aspiration for destination Iceland and Iceland's target visitors
- Part III: Building the destination
- Part IV: Funding the vision
- Part V: Organising for success
- Part VI: Economic impact

This is the fourth of the six documents

Agenda

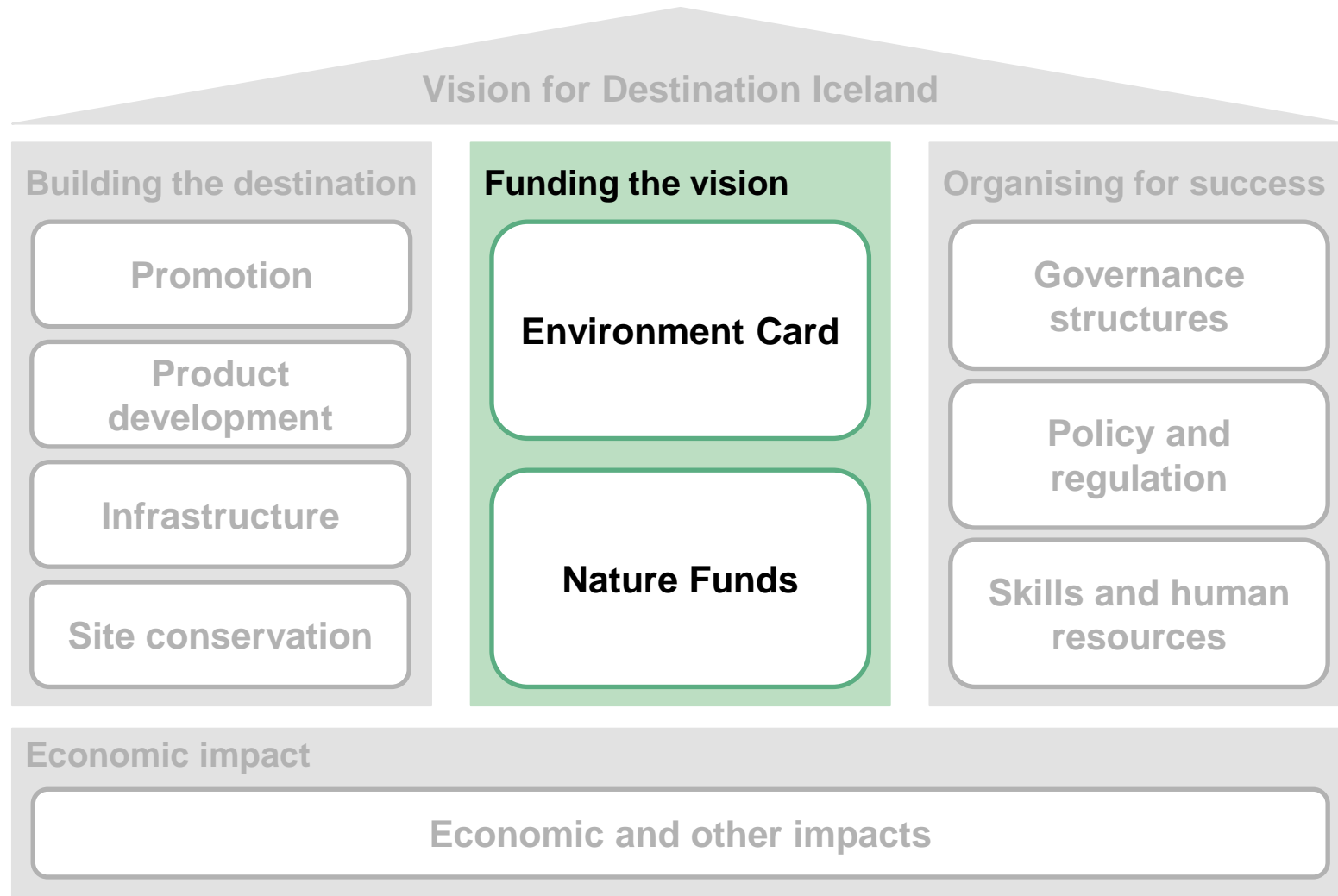
- Part I: Context - Icelandic tourism today
- Part II: Aspiration for destination Iceland and Iceland's target visitors
- Part III: Building the destination
- **Part IV: Funding the vision**
- Part V: Organising for success
- Part VI: Economic impact

New vision for the future of tourism in Iceland requires a programme of transformation



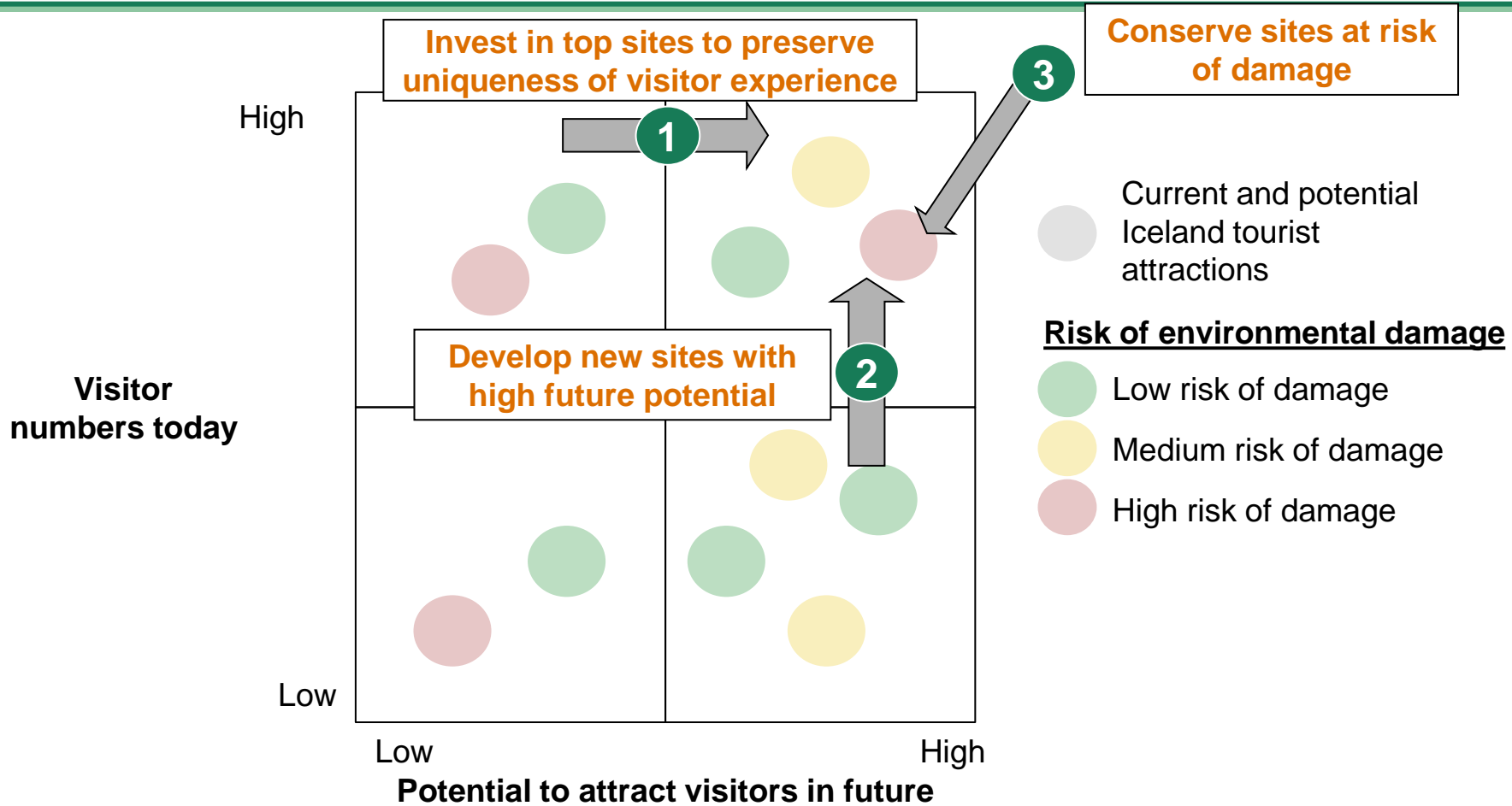
Funding the vision

Proposal for Environment Card and Nature Funds





Three key reasons to raise new tourism revenues



Of course tourism already makes a major contribution towards Government revenues (estimated ISK \$17 Bn directly in 2013)

Raising new revenues is essential to fund investments, as well as achieve other complementary goals



Key goals for raising new revenues from tourism

Manage demand at peak times at prime sites to minimise damage to nature and maintain an outstanding visitor experience

Fund conservation of existing sites to ensure long-term sustainability of Iceland's nature attractions

Incentivise and fund development of existing and new sites to provide more engaging visitor experience, and allow visitors to spend more on extra activities

Ensure that visitors value Iceland's nature, recognising that free goods tend to be over-used and under-appreciated

Allow Iceland's tourism bodies to collect valuable data, facilitating ongoing improvements to tourist infrastructure and marketing to past and future visitors



There is a broad consensus that new revenues are needed

Responses from Capacent focus group of Iceland tourism stakeholders

Need for new revenues	<p>Icelandic tourism industry in favour of new fees on tourism to raise revenues for investment</p> <ul style="list-style-type: none">• "I think that every cent that we spend to strengthen the infrastructure at the sites will be well spent" <p>Key existing sites need incentive to invest, as well as compensation for past efforts</p> <ul style="list-style-type: none">• "High traffic areas...do not receive any income from tourists and, [therefore], see no benefit in zoning the areas or doing construction work"• "Private enterprises like Geysir... have worked hard for 20-30 years to build the area. What have they gotten in return? "
Fees should be charged after arrival and with central control...	<p>Fees should not be charged before arrival, since visitor appreciates value once in the country</p> <ul style="list-style-type: none">• "The value [of the fee] becomes apparent after the tourist arrives in the country. I am completely for collecting fees if it's done while the tourist is in the country." <p>Fees should be collected centrally to avoid administration burden on individual sites</p> <ul style="list-style-type: none">• "Collecting [at] every site is too hard to execute; also if we want to hold on to vast open spaces"
...But with funds allocated efficiently across regions	<p>Centrally collected fees should be allocated in a fair way to regions and municipalities responsible for managing and developing sites</p> <ul style="list-style-type: none">• "One solution would be to make an arrangement between the government and the municipalities so that the state announces a part of it's income from tourism to the municipalities. This is because the municipalities are responsible for the sites but receive little if any income from them. "

We considered a range of approaches to raise revenues, screened with four decision criteria



Multiple approaches to raise funds...

Across-the-board tourism charge

- a Airport tourism tax
- b Cruise passenger tax
- c Hotel tax

Multi- or single site access charges

- d Environmental card for multiple sites
- e Site entry charges
- f Auction of slots for tour operators

Charges on services

- g Site parking charges
- h Charges for value-add "exhibits"
- i Other ancillary revenues

...Filtered through four decision criteria

1. **Maximise revenues** raised to fund investments in existing and new site development
2. **Minimise impact on visitor demand**
 - Except to manage flow of visitors at peak times
3. **Ensure efficient distribution of resources across existing and new sites**
 - While providing an incentive for site operators / owners to invest
4. **Ensure charging mechanism is feasible and can be implemented at low cost**



Applying criteria, we identified several promising options

	Measure	International example	Max. rev.	Min. demand impact	Efficient distr.	Feasible	Promising option?
Across-the-board tourism charge	a Airport tourism tax	<ul style="list-style-type: none"> UK Air Passenger Duty 					X Strong demand impact
	b Cruise passenger charge	<ul style="list-style-type: none"> Greenland 					? May lead to calls for airport tax
	c Hotel tax	<ul style="list-style-type: none"> Catalonia Italy 					X Strong demand effect; black market growth
Multi- or single site access charges	d Environmental card for multiple sites	<ul style="list-style-type: none"> S. Africa Wild Card Granada City Pass 					✓ Likely to work well in less-visited, open sites
	e Site entry charges	<ul style="list-style-type: none"> Kruger Park Oslo shark swim 					? High revenue potential for large sites (only)
	f Auction of slots for tour operators	<ul style="list-style-type: none"> N/A 					✓ Could help to manage coach arrivals
Charges on services	g Site parking charges	<ul style="list-style-type: none"> Hadrian's Wall, UK 					✓ Quick win opportunity at popular sites
	h Charges for value-add "exhibits"	<ul style="list-style-type: none"> Dead Sea British Museum 					✓ Opportunity to add value and raise funds
	i Other ancillary revenues	<ul style="list-style-type: none"> Museum of Modern Art design shops 					✓ Opportunity to add value and raise funds

Completely meets objective
 Does not meet objective

Source: BCG analysis, expert interviews



Airport tax: Significant impact on visitor demand likely

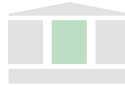
Maximise revenues 	Min. demand impact 	Ensure efficient dist. 	Feasible at low cost 
---	---	--	--

Significant negative impact on visitor demand	<p>Airport / air fare taxes have a significant impact on demand</p> <ul style="list-style-type: none"> • Demand falls by 0.7% for 1% increase in air fare costs¹ ($R^2 = 0.96$, indicating robust correlation) • Leisure travel more price sensitive than business –tax likely to affect tourism disproportionately • Study of UK Air Passenger Duty shows abolishing tax could even be revenue-neutral³ <p>Airport tax could make some routes uneconomic and liable to be withdrawn</p> <ul style="list-style-type: none"> • E.g., FlyBe withdrawal of Inverness-Gatwick route after APD raised in April 2013⁴ <p>Iceland ranked 45 / 140 for ticket taxes and airport charges – limited room to sig. increase costs</p> <p>Value of destination on arrival less than value on departure</p> <ul style="list-style-type: none"> • Potential loss of revenue from charging visitors when willingness to pay is lowest
--	--

No link from revenues to either site performance or user value	<p>No direct link between revenues and site performance</p> <ul style="list-style-type: none"> • No direct incentive for sites to invest in improving visitor experience • Potential lack of transparency on fund distribution <p>Airport tax collected uniformly across all visitors, irrespective of sites visited</p> <ul style="list-style-type: none"> • Inability to segment visitors by site usage, reducing potential revenues from high-use tourists • Lack of direct link for visitors from charge to site use reduces willingness to pay and visitor appreciation of site value
---	--

Impact on demand likely to outweigh benefits, and may depress amount of revenue raised

1. 1998 Deloitte & Touche study on Manchester-Milan route, quoted in "The Price Sensitivity of Tourism to Britain"(The British Tourist Authority, 2001) 2. APD = Air Passenger Duty
 3. Implying that the economic output generated by abolishing the Duty would lead to a rise in tax receipts equal to those generated by the Duty itself – driven by APD being highest air tax in world
 4. <http://www.e-tid.com/loss-of-flybe-route-a-hammer-blow-for-highlands/79381/>
 Source: "The Price Sensitivity Of Tourism to Britain" (commissioned by British Tourist Authority, July 2001), "The Economic Impact of Air Passenger Duty" (PWC< 2013)



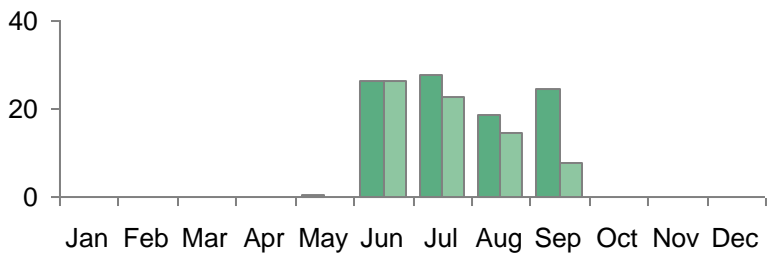
Cruise charge: Ship arrivals bring large number of visitors, but are concentrated in sharp peaks during Summer season

Maximise revenues		Min. demand impact		Ensure efficient dist.		Feasible at low cost	
-------------------	--	--------------------	--	------------------------	--	----------------------	--

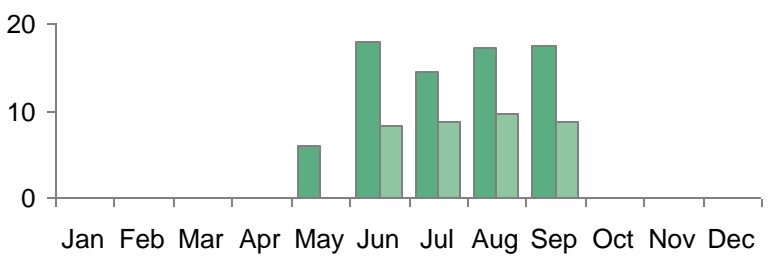
Highly seasonal arrivals, with visitors spending <20 hours in port...

...With mixed impact on Iceland

Total pax arriving at port (K)



Average time in port per pax



- +** Cruise ships bring large numbers of additional visitors to Iceland
 - Generates economic value from spending in stores, restaurants, and at sites
- +** Visitors who would not otherwise come to Iceland get opportunity to "taste" country and potentially return in future
- Cruise ship arrivals highly seasonal
 - Effectively no arrivals outside peak summer months
- Arrivals create congestion in cities and key sites
 - Esp. when >1 ship arrives on same day
- Limited contribution to broader economy, given short visit duration

Note: Arrivals are for 2013
Source: Cruise Iceland
Part IV - Funding the vision vFinal.pptx



Hotel tax: Negative impact on demand and potential to drive growth of black market

Maximise revenues 	Min. demand impact 	Ensure efficient dist. 	Feasible at low cost 
---	---	--	--

Good revenue potential, but no link to use of tourist sites	<p>Relatively simple to collect, with potential to raise significant revenues for investment</p> <ul style="list-style-type: none"> Used in wide range of cities, including across the US E.g., Catalonia tourist tax of €0.45 - €2.25 / night expected to raise ~ €60M in 2013 Given ~3.2M overnight stays in 2011, a €2/night tax would raise ~€6.4M <p>No link between tax and use or performance of tourist sites</p> <ul style="list-style-type: none"> Reduces transparency in allocating revenues to sites, and limits incentives to invest effectively
--	--

Impact on demand could be significant, but evidence limited	<p>Limited robust evidence on elasticity of demand for hotel rooms¹</p> <ul style="list-style-type: none"> 2003 study showed hotel demand to be relatively inelastic to income Studies in 1980s showed demand to be relatively elastic (-1.0 and -1.5) 2008 industry-sponsored report showed strong impact of hotel taxes on jobs and revenues
--	---

Likely to drive growth of black market hotel industry	<p>High level estimates indicate "black market" of unregistered tourism operators ~20% of market</p> <p>Tax on hotel rooms would increase incentive to remain unlicensed</p> <ul style="list-style-type: none"> Potential to significantly undercut tax-paying competition
--	---

Hotel tax raises revenue, and is used internationally, but could affect demand and/or drive black market growth

1. Studies quoted in "Review of studies on hotel taxes" (San Diego County Taxpayers Association, 2009)
 Source: Interviews with Icelandic tourism stakeholders, "Review of studies on hotel taxes" (San Diego County Taxpayers Association, 2009), Catalan News Agency



e Environment card likely to generate better outcomes than charging at individual sites

	d Environment Card	e Charging at individual sites	Rationale
Maximise revenues			<p>Environment card provides opportunity to bundle sets of attractions</p> <p>Card also creates add'l marketing opportunities</p>
Minimise impact on demand			<p>Bundling of sites through Environment Card allows less-visited sites to participate in charging scheme without major demand impact</p>
Ensure efficient distribution and incentivisation			<p>Funds raised by cards can be allocated according to site visitor numbers and investment need</p> <ul style="list-style-type: none"> • Top sites can develop value-adding services to generate additional revenues
Ensure feasibility at low cost			<p>Card would be a single system for all sites</p> <ul style="list-style-type: none"> • Reduces complexity and cost vs. site charging <p>Card systems operational in many countries</p>

Details of Environment card explored later in this presentation

Slot auctions: Potential to manage coach arrivals through slot auction system



Today: Uncontrolled coach arrivals cause congestion and generate no direct revenues

Coach arrivals at key sites lead to sudden increase in visitor numbers

- Drives congestion, reducing visitor experience
- May also drive higher environmental impact, e.g., pushing visitors off marked paths to seek less congested areas

Lack of control over arrival times can lead to multiple coaches arriving at same time

Potential to auction slots to tour groups to raise revenue and reduce congestion

Highly-frequented sites internationally use permit system to reduce congestion

- E.g., Machu Picchu operates permit system with spaces limited for each day

Opportunity to auction time slots to tour operators to raise revenues and enable companies to differentiate by tour time

- Companies can either offer cheaper tours at less convenient times, or more expensive tours at more convenient times

Auctioning slots most relevant at a few congested sites

Site parking fees offer simple payment mechanism, but require additional enforcement



Increasing use of parking charges at UK national parks

Spending reductions have driven UK national parks to raise new revenues, including parking charges

- E.g., Dartmoor national park introduced parking charges to offset spending reductions
 - Charge planned at £4 / day
- E.g., Northumberland national park raised charges for parking along Hadrian's Wall to £4 / day in 2013

Local opposition based on risk of driving off-road parking, and need for facility improvements to accompany charges

- E.g., Dartmoor parking congested at peak times



Swedish Willingness to Pay study showed potential to charge ~€4-5 for parking

Surveys conducted on willingness to pay for parking at Njupeskar waterfall trailhead (Fulufjällets National Park) in 2001 and 2003

Both surveys showed willingness to pay of SEK 33-34, equivalent to ~€4-5 in today's currency



Source: Press search, "National Park Designation – Visitor Flows and Tourism Impact" (European Tourism Research Institute, Mid-Sweden University, Sweden, 2004)

"Exhibits" enable sites to generate additional revenues from engaging, value-adding services



British Museum: Exhibits drive revenues in context of free entry

All public British museums free at point of entry

However, additional revenues generated from special exhibitions

- E.g., "Life and Death: Pompeii and Herculaneum" at British Museum

Museum membership card provides free entry to exhibitions

- Card builds longer-term visitor relationship with museum

Entry to British Museum **Free**

Entry to British Museum Pompeii Exhibition **£15**



Dead Sea resort services drive visitors to increase trip length

Dead Sea with limited natural activities

- Safe swim time limited to ~10 minutes because of heat / sun
- Desert location and limited swimming reduces appeal as a beach destination

Hotel resort entertainment enables visitors to stay multiple days

- Spa treatments (with focus on Dead Sea mud and minerals)
- Sport and leisure facilities
- Evening entertainment

Average stay on Jordanian side of Dead Sea = 2.66 days

- Vs. 1.87 at Petra (Jordan's largest attraction)



Grand Canyon services add significant value to visits

Entrance fee to Grand Canyon national park is \$12 per person

- Free on ~9 holiday days

Multiple value-adding services lead to significant additional revenue generation for local businesses and greater engagement for visitors

Entry to Grand Canyon **\$12**

Helicopter trip across North Canyon **~\$170**

Trip across Eagle Point Skywalk **~\$30**

Value-added services key to driving visitor engagement and building sustainable business models for sites

Source: British Museum, "Tourism Sector Report" for Jordan (ABC Investments, 2009), Grand Canyon West, Papillon Grand Canyon Helicopters

Ancillary revenue accounts for 1/3 of total income for US Museum of Modern Art

Maximise revenues



Min. demand impact



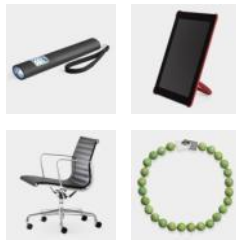
Ensure efficient dist.



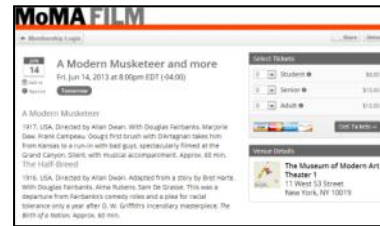
Feasible at low cost



Chain of MoMA Design Stores

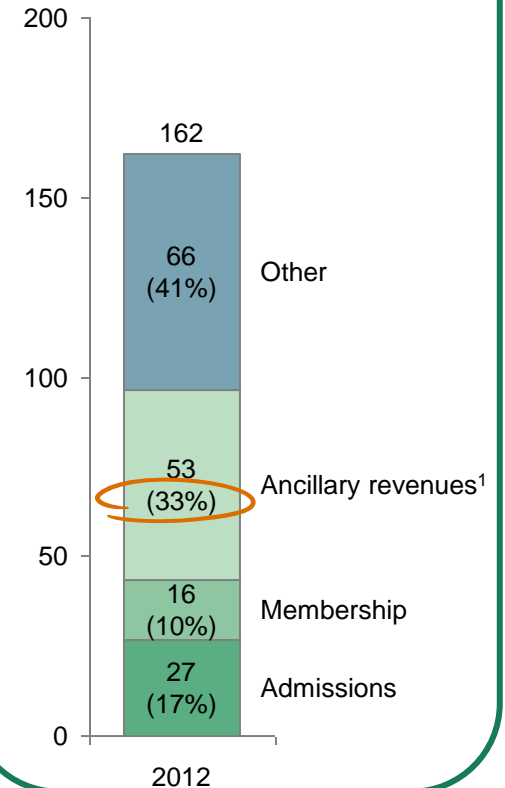


MoMA cinema

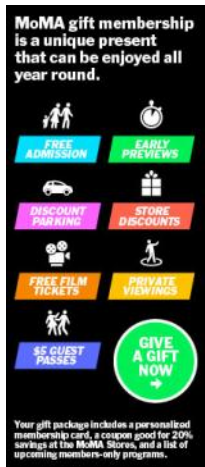


2012 revenues

US\$M

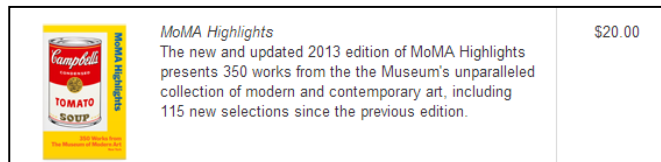


MoMA membership card



MoMA

MoMA guide-book



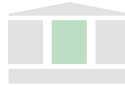
1. Referred to as 'Auxiliary Revenues' in annual report
Source: MoMA website, MoMA Annual Report 2012

We have explored the environment card option in further detail



	Measure	International example	Max. rev.	Min. demand impact	Ensure efficient dist.	Feasible
Across-the-board tourism charge	a Airport tourism tax	<ul style="list-style-type: none"> UK Air Passenger Duty 				
	b Cruise passenger charge	<ul style="list-style-type: none"> Greenland 				
	c Hotel tax	<ul style="list-style-type: none"> Catalonia Italy 				
Multi- or single site access charges	d Environmental card for multiple sites	<ul style="list-style-type: none"> S. Africa Wild Card Granada City Pass 				
	e Site entry charges	<ul style="list-style-type: none"> Kruger Park Oslo shark swim 				
	f Auction of slots for tour operators	<ul style="list-style-type: none"> N/A 				
Charges on services	g Site parking charges	<ul style="list-style-type: none"> Hadrian's Wall, UK 				
	h Charges for value-add "exhibits"	<ul style="list-style-type: none"> Dead Sea British Museum 				
	i Other ancillary revenues	<ul style="list-style-type: none"> Museum of Modern Art design shops 				

Completely meets objective



Card would provide entry only - Top tier sites could develop value-added services to generate additional revenues

Card provides access to site only



Entry to top tourist attractions such as Geysir currently free

In future, entry restricted to visitors bearing an Environment Card

- Includes access to site

Sites to develop value-add services for visitors to purchase

Exhibitions



Meetings



Rye bread baking



Audio guides



Photo competition

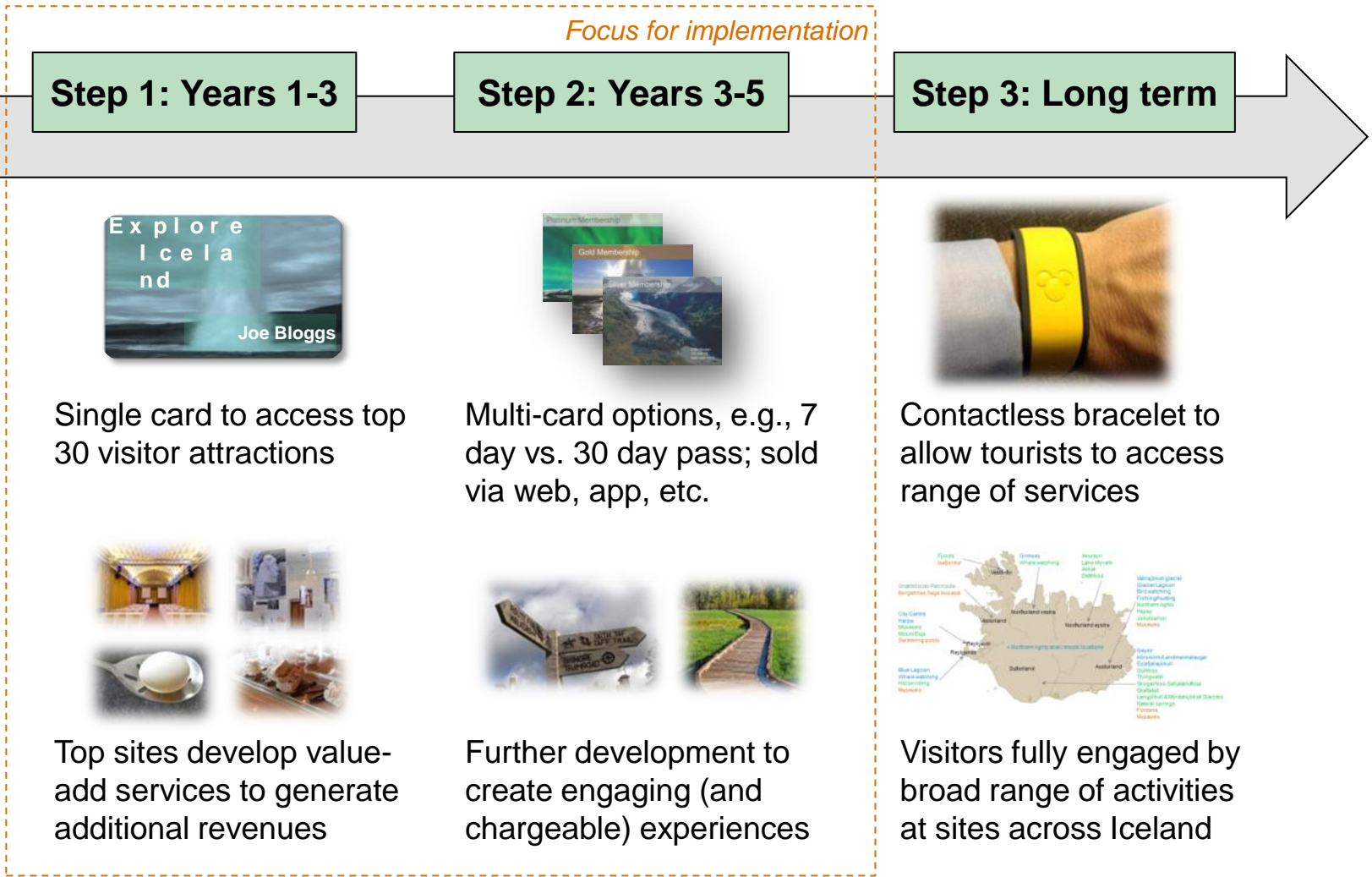


Evening talks





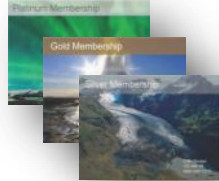
Three step approach to raise new revenues both across and at tourist sites



Across all sites



Single card to access top 30 visitor attractions



Multi-card options, e.g., 7 day vs. 30 day pass; sold via web, app, etc.



Contactless bracelet to allow tourists to access range of services

At individual sites



Top sites develop value-add services to generate additional revenues



Further development to create engaging (and chargeable) experiences

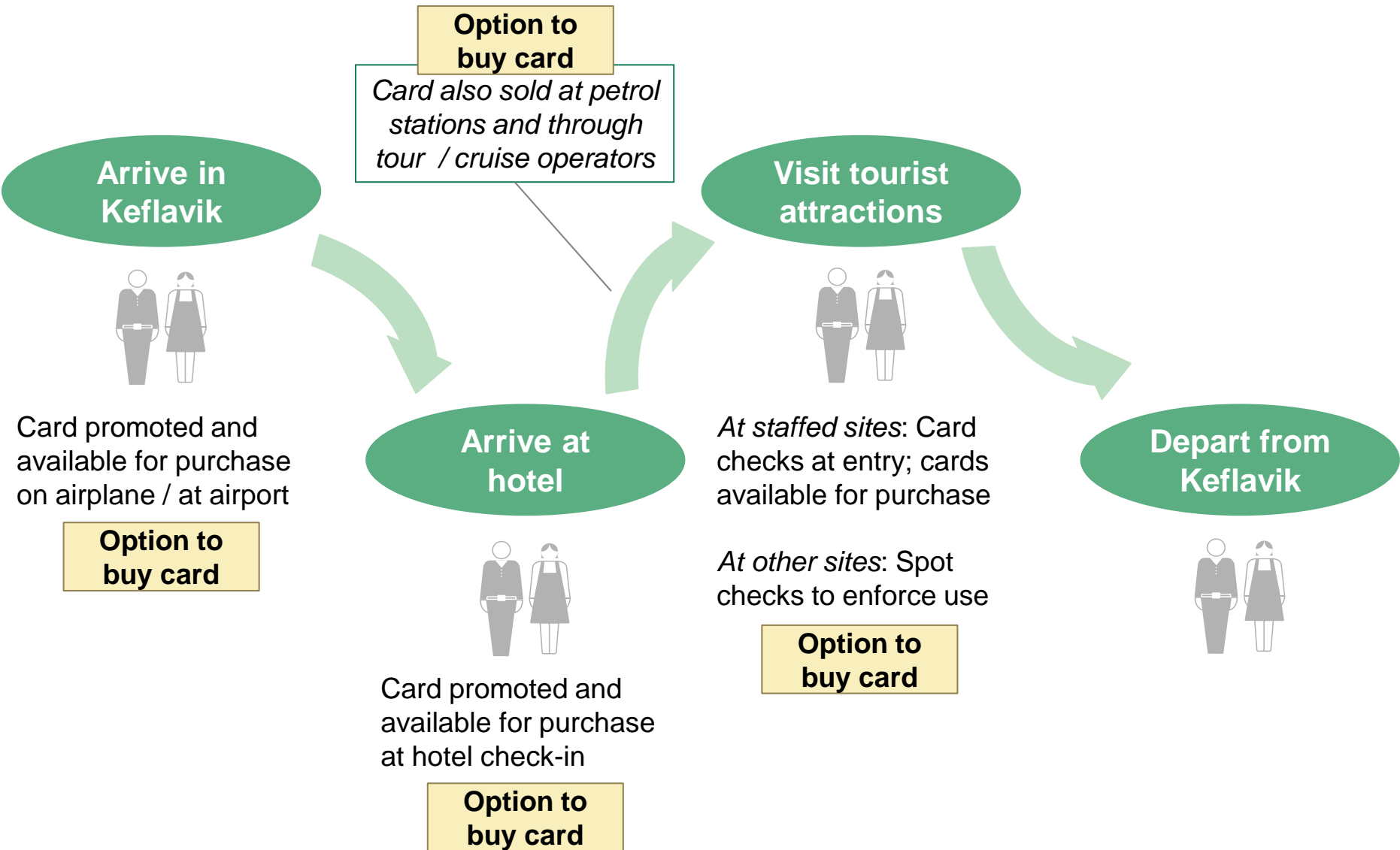


Visitors fully engaged by broad range of activities at sites across Iceland

Simple approach in year 1 to facilitate communication



Step 1: A future visitor's experience of tourism charging





Overview of potential card features in Step 1 and 2

Validity	30 days for international visitors 5 years for Icelanders
-----------------	--

Primary purchase benefit	Access to ~30 major natural attractions (currently free) and National Parks
---------------------------------	---

Secondary purchase benefits	<ul style="list-style-type: none"> • Discounts on value-added services at major sites – from Year 1 where possible / relevant • Discounts with loyalty partners (e.g., restaurant deals) • Other benefits, e.g., free bus tickets within Reykjavik
------------------------------------	---

Points of sale	<ul style="list-style-type: none"> • Online on dedicated microsite • On flights to KEF • At Keflavik airport terminal arrivals • At hotels around Iceland • Through tour operators • At petrol stations • At staffed tourist sites (e.g., Gullfoss)
-----------------------	--

Pricing	<ul style="list-style-type: none"> • TBD based on customer research • Icelander-oriented 5 year Card priced above 30-day foreigner Card to comply with EEA regulations • Children under 12 free • Potential for differentiated summer/winter pricing
----------------	--

Physical form	<ul style="list-style-type: none"> • Step 1: Simple plastic card with signature strip and end date • Step 2: "Virtual" card - plastic contactless card, key fob, mobile app, or electronic bar code
----------------------	---

Customer data collection and use	<ul style="list-style-type: none"> • Data collected at point of sale (once contactless system in place) • Potential for immediate email marketing to highlight events, featured loyalty partners, etc. • Follow-up surveys • Tracking of site visits (if readers installed at closed-entry sites)
---	---



Icelanders able to purchase 5-year Card through tax system



Icelander card



International card

Validity

5 years

30 days

Cost

TBD – requires WTP¹ research (higher than international card to comply with EEA regulations)²

TBD – requires WTP¹ research

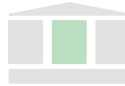
Means of payment

Through tax system

Online; by cash / card at Points of Sales in Iceland

Domestic vs. international differentiation used in other countries, e.g., English Heritage

1. Willingness to pay 2. Price discrimination between domestic and EEA residents not permitted on same product

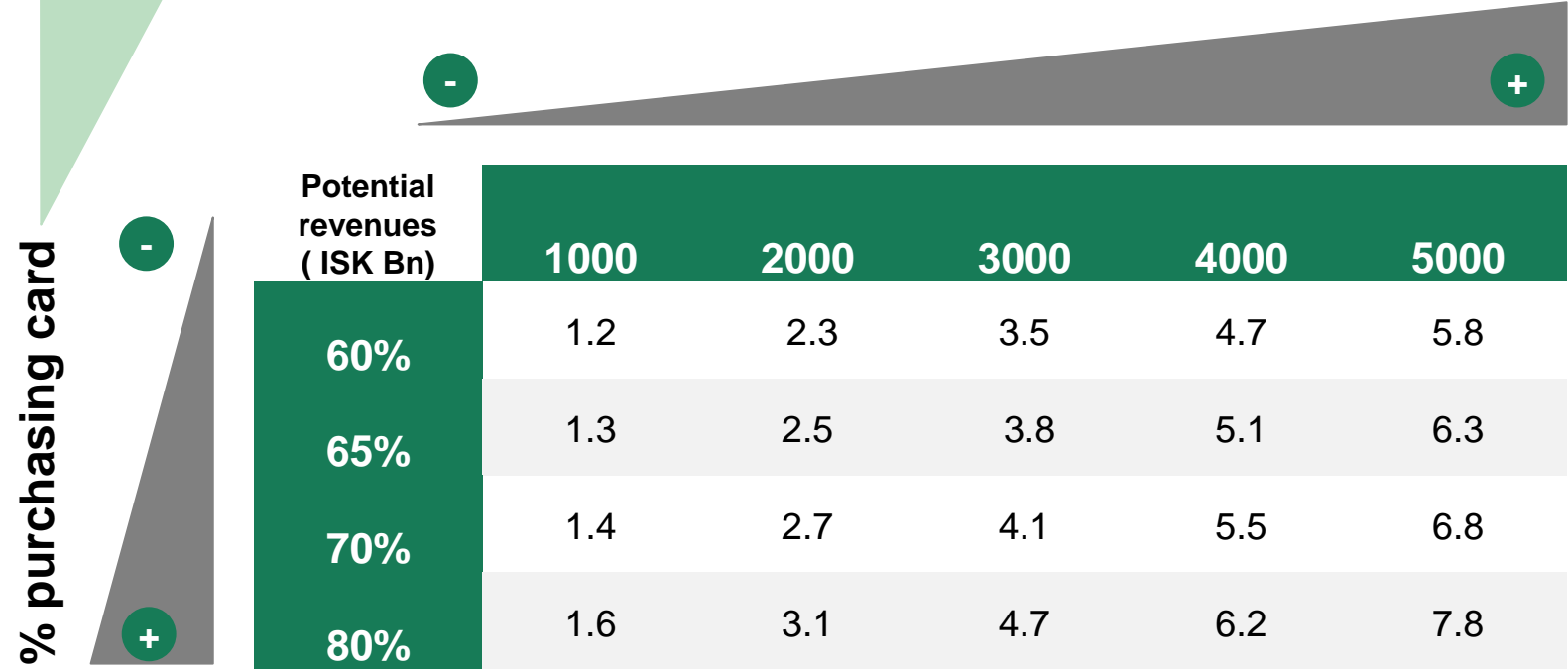


Based on high level estimates, card could generate ISK 1-8Bn annually by 2023...

- Some choosing not to visit sites
- Some non-compliance

- Average across seasons
- Average of domestic version and international version

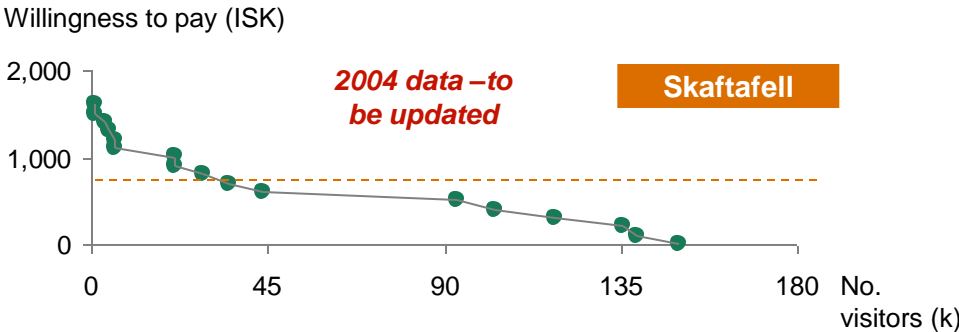
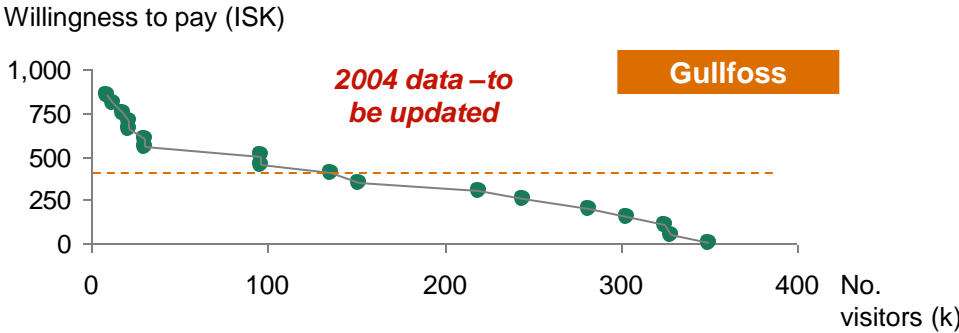
Average year-round price (ISK)



Analysis includes; foreign visitors, cruise visitors and domestic purchasers

...optimum price would need to be set by testing Willingness to pay (WTP)

Willingness to pay is most direct indicator of impact on demand



Adjusted for inflation, average willingness to pay estimated between 600 – 1,200 ISK per site¹

Need up-to-date consumer research to ensure price set at optimal point

1. Range based on difference between Willingness to Pay at Gullfoss vs. Skaftafell, and currency devaluation / inflation adjustment approach
Source: "Willingness to pay entrance fees to natural attractions: An Icelandic case study" (2008)



Three elements to implementing an Environment Card



Marketing

Promotion of Card through key tourism channels

- Online (e.g., visitor websites, dedicated card website)
- On arrival (airlines/KEF, hotels)
- At staffed tourist sites

Widespread Card sales network

- Online, airlines, hotels, tour operators, gas stations, sites

Partnership deals with sites and other tourism service companies

- Card price to include discounts and other services, e.g., free bus tickets in Reykjavik

Led by

Tourism promotional agency; Oversight from Ministry of Industries and Innovation



Operations

Implementation approach to evolve from Step 1 to Step 2

- Step 1: generic low-cost cards sold with end date only
- Step 2: contactless card system incl. customer data

Card operations to be put to open tender, including:

- Payment system and collection (e.g., for distribution partners)
- Customer database
- Plastic card technology
- Machine card recognition at sites with clear entry points
- Mobile app

Outsourcing partner – contract held by Ministry of Industries and Innovation



Enforcement

Enforcement based on control, monitoring and education

Controls in place at narrow-entry, popular sites

- Automatic machine counters, e.g., at Geysir
- Can be unstaffed – penalties for not tapping card

Monitoring with spot checks at open sites, e.g., National Parks

Education on use of funds at sites / Points of Sales – drives compliance via social pressure

Local site authorities, with oversight by Ministry of Industries and Innovation

Need to further assess potential legislative issues



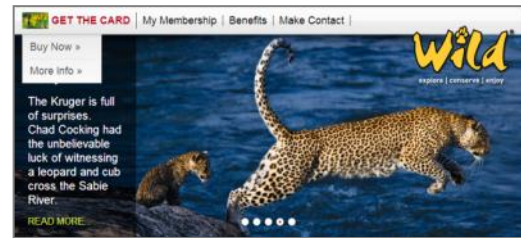
Marketing: Comprehensive approach to promote card

Proposed marketing approach

Multi-channel promotion on entry to, and in, Iceland

Distribution through direct sales and partners

- Online key channel to target visitors pre travel
 - Dedicated card microsite, including info on tourist sites and option to buy online
 - Links on visitor information sites
- On arrival: Kiosk at KEF, POS collateral at hotels
- To and at sites: Marketing through tour operators, POS collateral at sites
- Direct: Reserve card and pay online; collect physical card at airport / hotel / staffed sites
 - Once card database implemented, card delivery via printed electronic receipt or on mobile app
- Sales partners: Card sold through broad distributor network (hotels, tour operators, site staff, petrol stations) at cost of ~5% retail margin

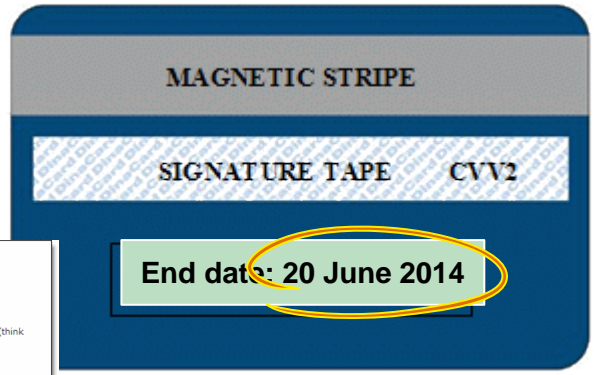




Operations – Step 1: Rapid initial implementation with plastic card

Simple plastic cards (~25 ISK / card) with magnetic strip to store basic data, if needed

Visitors sign card on purchase to avoid re-use by multiple people



Registration Receipt

Name(s): [Redacted]

Event: Broomball - Mesa Campus

Date(s): 4/25/2008 6:00 PM - 4/25/2008 9:00 PM

An event for 4-6 graders, playing broomball on ice (think hockey without the ice skates).

Who: Grades 4-6
 When: Friday night, April 25, 6-9 p.m.
 Where: Meet in the Outback.
 Cost: \$8
 Registration opens March 10. Closes April 24, 8 p.m.
 Space is limited!

Broom, helmet, and tennis shoes required.

I understand that a permission form will need to be signed by me at the time of dropoff. My child will not be able to participate if this form is not signed.

registration ID: 96221721-470e-4111-4100ad81f1ed



PLEASE PRESENT THIS DOCUMENT WHEN YOU ARRIVE AT THE EVENT.

End dates printed / stamped on cards at time of purchase to maintain 30 day validity on cards sold

Potential to use simple e-tickets to allow online pre-purchase, offline card collection



Operations – Step 2 Smart system deployed, driven by virtual customer database

Step 2 operational system

Multiple virtual and real card forms

- **System based around customer identifier, not physical card, enabling delivery through multiple formats:**
 - Physical contactless card or key fob
 - Mobile app or printed electronic receipt
- **Customer data linked to "card", allowing improved security, marketing, and mobile service delivery**
 - E.g., discount vouchers delivered to mobile



Network of card readers to validate card and track visits

- **Portable card readers used by tour operators, rangers, and staff at tourist sites to validate cards**
 - Aim to track as many visits as possible to enforce card purchase and collect customer data
- **Sites incentivised to validate visitor numbers through direct revenue share (i.e. payment per visitor tracked)**
- **Potential for loyalty partners to use reader system to provide tailored discounts based on demographics**
- **All card sales, validation and tracking through centrally-managed IT system**
- **Critical to keep system simple to ensure smooth implementation**
 - e.g., SA Wild Card system upgrade failure caused one year delay in card issuances¹



Back-end IT system and customer database

1. Kruger Park website



Enforcement: Three key elements to enforce Card use

<p>Control</p>	<ul style="list-style-type: none"> • Sites with limited entry points to check visitor cards at entry – and sell them to visitors that have not yet bought one <ul style="list-style-type: none"> – In Step 2, automatic counting machines can be used during off-peak periods, with penalties for failing to "tap" contactless card at entry 	
<p>Monitor</p>	<ul style="list-style-type: none"> • Sites without clear entry points to use spot checks by rangers to check that card has been purchased <ul style="list-style-type: none"> – Areas restricted for card holders indicated with signs (i.e., not needed on connecting roads through National Parks) • Penalties for entering without card ~3 – 5 times card cost 	
<p>Educate</p>	<ul style="list-style-type: none"> • Information provided at all visitor entry points about use of Card funds for conservation <ul style="list-style-type: none"> – Signage, collateral (e.g., pamphlets), and at visitor centres • Potential opportunity to encourage donations to specific environmental causes 	



In long term, option to introduce multiple card options

Example: Three options with different tiers of access (Golden Circle vs. other sites)

Features

Target audience segments



- Entry to all key Iceland nature sites
- Discounts on value-add services (e.g., guided glacier hiking)
- Small premium from Gold card

- Longer-stay tourists visiting Golden Circle and potentially other sites
- Higher-value visitors likely to use value-add services



- Entry to Golden Circle attractions
- Priced to match willingness to pay for prime sites

- Short-stay tourists visiting Golden Circle sites only



- Entry to all secondary attractions (i.e. outside Golden Circle)
- Low price point

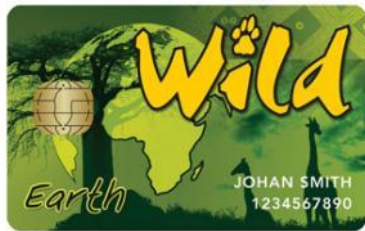
- Repeat adventure travellers unlikely to visit Golden Circle sites again
- Domestic travellers

Case study: South African Wild Card offering access to multiple sites with tiered pricing structure

Card tiered by type of access...

...And type of consumer

Clusters	Categories		
	Individual (Any 1 PAX)	Couple (Any 2 PAX)	Family (up to 7 - max 2 adults)
All Parks Cluster Access to 80+ Parks and Reserves around Southern Africa, which are included in the SANParks, Msinsi, EKZNWildlife, Cape Nature and Swazi Clusters Parks.	R360	R595	R745
SANParks Cluster Access to all 21 of SANParks National Parks in South Africa	R345	R570	R680
Msinsi Cluster Access to all 6 of Msinsi's Resorts and Reserves near Durban and Pietermaritzburg	R310	R505	R600
EKZN Wildlife Cluster Access to 25 of KZN Wildlife's Parks and Reserves in KwaZulu-Natal	R345	R570	R680
CapeNature cluster Access to 24 of Cape Nature's Parks and Reserves in the Western Cape	R325	R535	R640
Swaziland's Big Game Parks Cluster Access to Big Game Parks of Swaziland's 3 Parks in Swaziland	R285	R460	R560
International All Parks Cluster Access to 80+ Parks and Reserves around Southern Africa, which are included in the SANParks, Msinsi, EKZNWildlife, Cape Nature and Swazi Clusters Parks.	R 1,400	R 2,330	R 2,785



Local clusters only available to SA residents – international visitors must purchase "All Parks" Cluster

Card priced equivalent to ~5-6 days at a major park

Offers discounts with loyalty partners

- E.g., accommodation at Augrabies Falls

"Wild" magazine produced for card members

Valid for 1 year



Administered by South Africa National Parks

Card raises ~ZAR 40M = ISK ~480M each year, excluding visitors paying for individual site visits

Source: South Africa National Parks, "Wild" magazine (2013)

Case study: Love Granada City Pass leverages Alhambra prime attraction to up-sell full range of city attractions

City Pass is only way to access Alhambra when tickets are sold out

 3 Day City Pass	 5 Day City Pass
¿What is included? The Alhambra entrance. Entrance to other monumentos mentioned above. 5 urban bus journeys. Does not include City Sightseeing bus trip.	What is included? The Alhambra entrance. Entrance to other monumentos mentioned above. 9 urban bus journeys. 1 City Sightseeing bus trip.
3 Day City Pass Price 33,50 euros - advanced booking, 10,50 euros (advanced booking) - children 3-11 years old.	5 Day City Pass Price 37,50 euros - advanced booking, 10,50 euros (advanced booking) - children 3-11 years old.
Validity of the City Pass? 3 days from the date of activation.	Validity of the City Pass? 5 days from the date of activation.

Marginal difference in price between lower and higher value products



- Provides access to multiple tourist sites and limited travel on public transport**
 - Saving of 30% on individually priced tickets
- Also offers discounts for museums, hotels, and restaurants**
- Priced significantly higher than a single Alhambra ticket (€13 for an adult)**
- Public-private collaboration led by Granada City Council**
 - Including a local bank acting as a sales agent

"Re: Granada City Pass - worth having?"
A definite YES. It gave us the slot for the Alhambra Palace we wanted... and we used it to visit other places too" – *TripAdvisor customer*

Case study: English Heritage membership card clearly differentiates between domestic and overseas visitors



Domestic: Annual or Life Membership with extensive additional benefits

- Annual Memberships:
- Student (under 19 and NUS Members) £37.00
 - Adult (age 19-59) £48.00
 - Senior (age 60+) £37.00
 - Adult and Senior £70.00
 - Couple (age 19-59) £84.00
 - Senior Couple (age 60+) £58.00

Sample prices for single entry

Churchill War Rooms - £17
 Dover Castle - £17
 Hastings battlefield - £7.80
 Warwick Castle - £22.80

Annual memberships priced at significant discount to multiple individual site visits

- Cost equivalent to ~3 major site visits
- Differentiated pricing by age, for students, and for couples

Range of additional membership benefits

- Incl. discounts with loyalty partners

Customer data collection enables extensive marketing

- Free entry to all [English Heritage properties](#).
- Free entry for up to 6 accompanying children under the age of 19 per adult member.
- Free or reduced entry to over 100 [affiliated sites](#) across England including Warwick Castle, the Churchill War Rooms in London and Alnwick Castle.
- Free or reduced entry to our [exciting events](#) across the country.
- Free Exclusive Members' Magazine.
- Free handbook worth £10.95.
- Half Price entry to sites in the care of [Historic Scotland, Cadw and Manx](#).
- Exclusive [offers](#) on a variety of products from wine to West End theatre tickets.

Overseas: 9 or 16 day passes focused on entry to sites

Overseas Visitor Pass Prices
 Prices for visits starting between 1 April 2013 - 31 March 2014

	9 Day Pass	16 Day Pass
1 Adult	£24.00	£28.00
2 Adults	£44.00	£54.00
Family*	£49.00	£58.00

Who can buy the Pass?
 The Pass is available for overseas visitors only. Visitors may be asked for proof of overseas residency when visiting a property.

Overseas visitor pass limited to 9 or 16 days, allowing access to all major sites

- Cost equivalent to entry at ~1-2 sites
- Day limit avoids use of cards by more than one visitor (e.g., through handing over cards after trip)

Additional benefits limited to free guidebook and discounts at English Heritage events

Distribution online, by phone, through sales agents internationally, and at staffed properties

- Pass collected in person at a staffed property



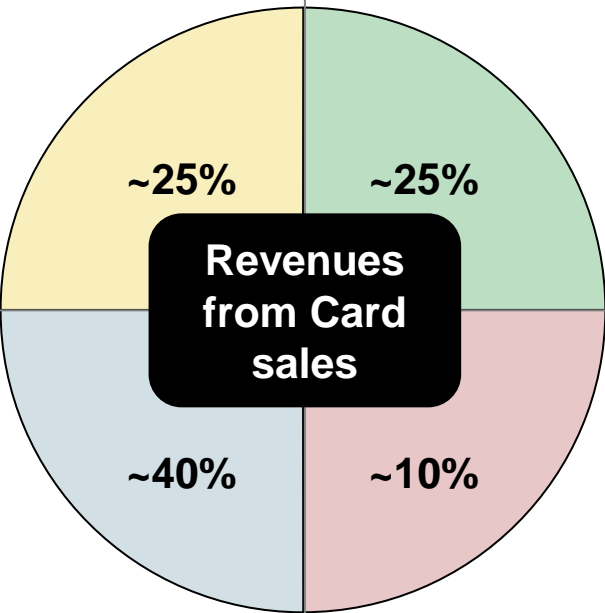
Four potential uses of funds raised by Environment Card

Grant Fund

- Grants to existing sites for environmental conservation
- Grants to new sites for developing tourism in less-visited areas

Loan Fund

- Public-private fund providing low-interest, long-term loans
- Aimed to develop products at and around new / existing sites (e.g., camp site renovation)



- Direct allocation to sites and municipalities based on visitor numbers
- Incentivises effective site / area management

Direct Revenue Share

- Cost of physical card, distribution margin, marketing, and system costs (IT, people)
- Enforcement costs

Card Operations



Investment criteria and finance types to vary by fund

	Investment criteria	Type of finance
Grant Fund	<ul style="list-style-type: none"> Eligible sites part of Environment Card network Projects focused on environmental conservation or tourism development with broad social benefits <ul style="list-style-type: none"> E.g., improving visitor paths; increasing use of English in road signs Funds cover up to 75% projects 	<ul style="list-style-type: none"> Multi-year, multi-stage grant payments of ISK 500k – 10M Grant disbursements after year 1 dependent on achievement of milestones
Loan Fund	<ul style="list-style-type: none"> Eligible sites part of Environment Card network Projects aimed at developing infrastructure or added-value services at tourist attractions Investment dependent on submission of a robust business plan with well-defined revenue streams <ul style="list-style-type: none"> Revenues from direct share (<i>see below</i>), ancillary charges, or value-added services 	<ul style="list-style-type: none"> Low interest loans (ISK 2 - 50M) <ul style="list-style-type: none"> Discount from market rates based on commerciality of project (e.g., building shop vs. developing visitor centre) Potential for long-term loans (5+ years) Loan repayments reinvested in Fund
Direct Revenue Share	<ul style="list-style-type: none"> Eligible sites part of Environment Card network Payment directly based on visitor numbers to site <ul style="list-style-type: none"> Shared between sites and municipalities Visitor numbers measured by surveys / samples Revenue share cut if sites fail to restrict access to Environment Card holders only 	Direct cash payment on annual basis
Card Operations	All card implementation and distribution costs covered	Direct cash payment to cover costs



Funds managed by sub-group of new Tourism Task Force

Overall Fund governance	<p>Task Force Steering Group to appoint fund management committee</p> <ul style="list-style-type: none"> Includes representatives from private and public sectors <p>Committee to meet quarterly to review applications and decide disbursements</p> <ul style="list-style-type: none"> Supported by Task Force operating team to process applicants and fund payments
--------------------------------	--

Grant Fund

- Committee to review applications quarterly**
- Decide total amount payable over multi-year period
 - Also agree milestones and disbursement criteria for payments after first year
- Committee also responsible for reviewing existing grants**
- Approve year 2+ disbursements
 - Take action where targets not met
- Once per year, committee to review overall disbursements**
- Review criteria / fund promotion if disbursements not sufficient
 - Set target grants for next year

Loan Fund

- Committee to review applications quarterly**
- Decide total loan size, interest rate, and repayment period
- Committee responsible for reviewing existing loans, with focus on "cause for concern" borrowers**
- Check loan repayments on track
 - If borrower at risk of missing payment, decide action to be taken (e.g., put in place support for site management)
- Committee to conduct annual review of processes, criteria, and loan book**
- Make changes if not enough loans made or default level rises

Direct Revenue Share

- Once per year, Committee to set payment per visitor for sites and municipalities**
- Based on forecast Card revenues and no. sites visited per tourist
 - Aim to maintain 40% share of total Card revenues paid out through direct allocation
- Committee to decide process for measuring number of visitors per site / municipality**
- E.g., based on samples, surveys, other methodology



Case studies: Loan funds used internationally to support tourism development



French public fund offers loans to tourism service providers

State-sponsored fund (Oséo) offers loans and loan guarantees to hotels / other tourism firms

- Partnership with Atout France, hotel classification organisation
- Designed to support renovations, customer service improvement, and investment in equipment or furnishings

Loans repaid at fixed rate over 7-year period

- Size of loans varies between €30-600k
- No requirement for personal guarantee

Loan guarantee provided (up to 40% value) to secure additional bank finance

Fund investment criteria

- SMEs in areas with low level urbanisation
- Hotels classified as 3 star or below



Cumberland County, PA offers loans for tourism development

Tourism Infrastructure Loan Fund set up by County authority to finance jobs-focused tourism investment

Loans up to either \$50,00 or 50% project cost (whichever is lower)

- Fixed interest rate of 3.5% for full term
- Loan discount (to 2.5%) provided in "target tourism areas"
- Loan term up to 15 years (property), 10 years (machinery / equipment)

Requirement to create / retain one full-time job per \$35,000 borrowed

- Failure leads to increase in interest rate

Fund investment criteria

- For-profit / non-profit tourism enterprise
- Investment in machines, land, renovations, etc.



Case study: Implications for Gullfoss in Year 1

Grant Fund

Gullfoss management able to apply for grants of ISK 500k – 10M for conservation projects

- E.g., project to conserve vegetation in visitor area

Loan Fund

Gullfoss management able to apply for loans of ISK 2M – 50M for tourism development projects

- E.g., new visitor centre with shows for children (for extra charge)

Other businesses in area also eligible

- Enables hotels, tour operators, etc. to upgrade equipment and facilities

Direct Revenue Share

~217,000 visitors

e.g. with direct payment of ISK 400 per visitor

Implies ISK ~90M direct payment in Year 1

- Municipality of Bláskógarbyggð receives ISK ~25M (~10% of 2012 staff salary bill)
- Remaining ~75% to site

Enforcement

Gullfoss management expected to put in place checks at main site entrances to confirm visitors have Cards – and to give visitors opportunity to buy Cards

Source: Iceland Travel, Bláskógarbyggð 2012 Annual Accounts, BCG analysis