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Summary:

Fly-and-drive tourism in Norway - the future potential

The market for fly-and-drive tourism in Norway, that is tourists renting a car at or near the airport, could double within a few years. In order for this market potential to be exploited, it would help if the VAT deduction rules were amended, if promotion was improved, and if new air routes were opened.

Strong growth in fly-and-drive tourism is expected for several reasons:

- Strong growth in incoming air tourism.
- An increase in new direct air routes and a reduction of air fares.
- Increased trend towards short holidays and individual travel.
- Norway and Norwegian landscapes are typical round trip tourism products.

Surveys have been performed at airports and among fly-and-drive tourists and ferry tourists. Fly-and-drive tourists stay 1-2 weeks in Norway. The average length of stay is 11 days. About half of the cars are used by two persons. The average is nearly three persons per car. Air tourists have shorter stays and make up smaller travel groups, while the opposite applies to ferry tourists.

The surveys coincide on why tourists seldom choose fly-and-drive holidays. The main reasons were high prices for car rental and air travel. Moreover, fly-and-drive is not well known or promoted. These views are in line with the opinions of foreign tour operators. Those who had actually chosen fly-and-drive holidays, listed better access to beautiful landscapes and opportunity for individual travel as the main motives.

Ferry tourists emphasize the practical aspects of using their own car and were less interested in fly-and-drive holiday than air tourists. While 22-24 % of air tourists stated “high interest” in fly-and-drive holiday, only 8-9 % of ferry tourists did so.

Today the capacity of car rental during the summer period is a major restriction for fly-and-drive tourism. Car rental firms claim they could easily increase sales by 30 % during the summer. Due to VAT deduction rules rental cars are held for 17-18 months. They are bought during the spring and sold in the autumn the following year. Summer capacity is thus twice as large as winter capacity, which mainly serves the business segment. The combination of high registration tax and strict VAT deduction rules also contributes to high prices. Norwegian car rental prices are slightly higher than Finnish prices and 30 % above Swedish and Danish prices.

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The main measures to establish new air routes are lower airport charges, marketing support and risk sharing. Avinor, the Norwegian airport company, is allowed to lower charges on new routes by 90 % during a three-year start-up period. Counties and local industries may contribute to marketing support and absorb some of the risk of establishing new routes.

Better promotion of fly-and-drive holidays is firstly an organizational issue. Air carriers, car rental firms and hotel chains need to develop a closer cooperation in order to offer packages that combine car rental with either air travel or hotel stays (or both). Secondly, the destinations need to be developed and marketed more specifically towards the fly-and-drive segment (develop round-trips, activities, sightseeing information and local dining places). Local destination companies, together with hotels and/or local attractions, should take on the task with financial support from counties and *Innovation Norway*. An important part of the work is to make the information available on the Internet in several languages.

Estimations of future potential for fly-and-drive tourism are based on air travel forecasts indicating a 5 % annual increase in leisure travel. The foreign share of leisure travel is expected to increase from 25 % in 2005 to 27 % in 2016. Thus, incoming air tourism is expected to increase from 1.9 million single trips in 2006 to 3.3 million by 2016. A slight increase in the fly-and-drive share from 6.7 % to 8 % implies that the fly-and-drive market would more than double.

Alternatively, one could base calculations on the share stating “great interest” in fly-and-drive holiday in Norway. Assuming that the potential consists of only half of the tourists stating great interest in fly-and-drive tourism, the market size would more than double. Nearly 40 % of the potential to increase fly-and-drive tourism seems to be among road and ferry tourists. Unrealized potential seems to be high in Germany, the Netherlands and the UK. New direct routes could, however, quickly change the picture of which countries have the larger potential.

If VAT rules for car rental are not changed, capacity would most likely increase by a modest 4 % per year, implying a lost opportunity of an additional 40 000 car hire contracts a year, due to restricted car capacity. Assuming that a certain segment of tourists would not visit Norway if fly-and-drive is not possible, a yearly loss in income from tourism of about NOK 2 billion or € 250 million might be expected. A large share of this loss would affect Norwegian fjord and mountain areas, as well as Northern Norway, where round-trip holiday travel is important.