The Economic Impact of Tourism for the Arun District 2014

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TOURISM
SOUTH EAST

CONTENTS

GLOSSARY OF TERMS

Actual Jobs
Many jobs are seasonal or part-time in their nature in the tourism sector, so an adjustment is made to calculate the actual number of jobs from the number of FTEs. The adjustment made is based on the findings of surveys of tourism related businesses, and national employment surveys.

Annual Business Inquiry (ABI)
This is the main government survey of companies in the UK. It is conducted in two parts: one dealing with employment, the other with financial information.

Annual Survey of Hours and Earnings
The AHSE Survey provides information on wage levels by industry sector and occupation. The main strength of the AHSE is its large sample size. It is based on a 1% sample of employees who are members of PAYE. The coverage of full-time adult employees is virtually complete, and consequently the survey is representative of hours worked for full-time employees on adult rates of pay (although the survey is currently not weighted). The coverage of part-time employees is not comprehensive, as some part-time workers will have earnings below the income tax threshold. The AHSE is the best source for estimating full time earnings.

Direct jobs
Jobs directly generated in those local businesses in which visitors spend money, i.e. hotels, catering establishments.

England Leisure Visit Survey (ELVS)
The leisure day visits survey was last conducted in 2005 and covered approximately 5,000 respondent interviews. Unlike the IPS and UKTS, this survey is not undertaken on an ongoing basis and thus adjustments are made in the model to account for annual increments in the value and volume based on trends observed in 2005.

Economic multiplier
Multipliers are used to estimate the economic impact of visitor expenditure. Visitor expenditure produces three effects. Direct effects are changes in the business sector directly receiving visitor expenditure. For instance, visitors staying in a hotel will directly increase revenue and the number of jobs in the hotel sector. Indirect effects are the changes in supplier businesses. For example, these indirect effects would be hotels purchasing more linen from local suppliers as a result of increased business. Induced effects are changes in local economic activity resulting from household spending. For instance, employees of the hotel and linen supplier spend their wages in the local area, resulting in more sales, income and jobs in the area.

Full Time Equivalent Jobs (FTE)
For the purposes of the Model, a FTE is defined by the average annual salary plus employment costs in the sector concerned.

Indirect jobs
Jobs created locally due to the purchases of goods and services by businesses benefiting from visitor expenditure, i.e. jobs with local suppliers.

Induced jobs
Jobs created throughout the local economy because employees employed due to visitor expenditure spend their wages locally on goods and services such as food, clothing and housing.

International Passenger Survey (IPS)
The International Passenger Survey is conducted by Office for National Statistics and is based on face-to-face interviews with a sample of passengers travelling via the principal airports, sea routes and the Channel Tunnel, together with visitors crossing the land border into Northern Ireland. Around 210,000 interviews are undertaken each year. IPS provides headline figures, based on the county or unitary authority, for the volume and value of inbound trips to the UK.

Labour Force Survey (LFS)
The LFS is a household panel survey, continuous since 1992, with results produced each quarter. It has a sample of approximately 60,000 households. The LFS is the government's largest continuous household survey and participation in the survey is voluntary. LFS data is weighted to enable the population estimates to be produced. The weighting also attempts to compensate for differential non-response among different subgroups in the population. LFS is designed to provide information on the UK labour market that can be used to develop, manage and evaluate labour market.

'Other-trip' Expenditure
Apart from the spending associated with the individual trips, additional spending by non-visitors, e.g. friends and relatives with whom the visitor is visiting and/or staying with will also take place. Moreover, owners of second homes/boats will spend some money on maintenance, repair.

Staying trips
Staying trips comprise a visit which involves a stay away from home of at least one night. The study measures trips, rather than visitors as one visitor may make multiple trips to an area in a given period.

Tourism day trips
Day trips are defined as a visit to and from home for leisure purposes, undertaken on an irregular basis and lasting a minimum of three hours. The report excludes trips undertaken for business or study purposes, as these are not covered by the Leisure Day Visits Survey methodology. The definition of day trips adopted by this study is that used by the Department of Culture, Media and Sport.

United Kingdom Tourism Survey (UKTS)
The United Kingdom Tourism Survey is undertaken by BRMB for VisitBritain and is based on 1,000 telephone interviews per week (50,000 annually). It provides basic headline data on the volume and value of domestic tourism at a national, regional and county level.

United Kingdom Occupancy Survey (UKOS)
As part of the EU Directive on Tourism Statistics adopted in 1995, the UK must report regularly on a specified range of statistics to Eurostat, the official statistical office of the European Union. Included in these statistics are monthly occupancy rates for UK serviced accommodation. The responsibility for providing this data lies with the four National Tourist Boards, and across England the survey is undertaken by the Regional Tourist Boards. A sample of establishments is recruited to the survey and asked to complete a data form each month, giving details of their nightly occupancy. The data form is processed and analysed to produce monthly occupancy rates for the whole of the area and for specific categories of type, size, location etc.

VFR Trips
VFR trips are defined as a visit where the main purpose is visiting friends and relatives. Whilst many trips to visit friends and relatives will be accommodated in the homes of these friends/ relatives, some will make use of other forms of accommodation. It should be also noted that other forms of trip, for instance for holiday or business purposes may stay with friends and relatives rather than in commercial accommodation.

1. EXECUTIVE SUMMARY

1.1 Introduction

This report contains the findings of a study commissioned by Arun District Council and undertaken by Tourism South East. The overall aim of the research is to provide indicative estimates of the volume, value and resultant economic impact of tourism on Arun in 2014.

The research involved the application of the Cambridge Tourism Economic Impact Model or 'Cambridge Model'; a computer-based model developed by Geoff Broom Associates and the Regional Tourist Boards of England.

1.2 Volume & Value of Tourism – National and Regional results

Trips by domestic overnight visitors						
	South East			England		
	2013	2014	% change	2013	2014	% change
Trips	17,900,000	16,200,000	-9%	101,340,000	93,000,000	-8%
Nights	122,900,000	114,200,000	-7%	294,830,000	273,000,000	-7%
Spend	£2,648,000,000	£2,448,000,000	-8%	£18,627,550,000	£18,085,000,000	-3%
Trips by overseas overnight visitors						
	South East			England		
	2013	2014	% change	2013	2014	% change
Trips	4,587,000	4,648,000	1%	28,602,000	29,824,000	4%
Nights	31,820,000	34,645,000	9%	216,975,000	232,846,000	7%
Spend	£2,002,000,000	£2,160,000,000	8%	£18,397,000,000	£19,081,000,000	4%
Trips by day visitors						
	South East			England		
	2013	2014	% change	2013	2014	% change
Trips	219,000,000	227,000,000	4%	1,370,000,000	1,345,000,000	-2%
Spend	£7,094,000,000	£7,571,000,000	7%	£45,101,000,000	£46,024,000,000	2%
Total trips						
	South East			England		
	2013	2014	% change	2013	2014	% change
Trips	241,487,000	247,848,000	3%	1,499,942,000	1,467,824,000	-2%

Results from GBTS reveal that 93 million domestic overnight trips were taken in England in 2014, a decrease of 9% compared with 2013. The value of domestic overnight trips fell by 3%, from £18.7 billion in 2013 to £18 billion in 2014.

Reflecting the national trend, the volume of domestic overnight trips fell by 9% in the South East in 2014 compared to 2013 (from 17.9 million to 16.2 million). According to the national survey results, domestic overnight trip spend in the South East saw a greater drop than seen at national level; down by 8% compared to national level of 3%.

In contrast, trips to England and the South East by visitors from overseas increased in 2014 compared to 2013. According to results from IPS, overseas visitors made a total of 29.8 million overnight trips in England, an increase of 4% compared with 2013. Trip expenditure also increased by 4% at the national level.

Overseas visitor trip volume was also up for the region; total overnight trips taken by visitors from overseas to the South East increased by 1% (from 4.58 million to 4.65 million). Nights spent in the region by overseas visitors and expenditure associated with their visits increased by a greater level (as a result of increased length of stay). Overseas trip nights increased by 9% and expenditure increased by 8%.

Figures published in the Great Britain Day Visits Survey (2014) indicate that there were 1.3 billion Tourism Day Visits undertaken in England during 2014 (down 2% compared to 2013). Despite a small drop in volume, spend per head was up, leaving to an increase in day trip expenditure of 2% at the national level.

At regional level, there were 227 million tourism day trips, up by 4% on 2013. Day trip spend at regional level was also up, again at a level higher than the national average (up by 7% in the South East compared to up by 2% nationally).

1.3 Volume & Value of Tourism – the ARUN DISTRICT

Reflecting national and regional trends, the year saw a drop in the volume of overnight trips made to Arun by visitors living in other parts of the UK, but an increase in trips by visitors from overseas.

Overall, an estimated 585,000 staying trips were spent in Arun in 2014, of which around 521,000 were made by domestic visitors (90%) and 64,000 by overseas visitors (10%). Compared to 2013, the volume of domestic overnight trips fell by 1.5% and the volume of overnight trips made by visitors from overseas increased by 6.2%.

Staying trips resulted in an estimated 1.98 million bednights in the District, an increase of 1.4% compared to 2013.

Staying visitors spent just £119.7 million on their trip in Arun in 2014, up 1.6% compared to 2013.

Around 3.7 million tourism day trips were made to the District (lasting more than 3 hours and taken on an irregular basis) in 2014 which generated a further £121 million tourism expenditure. Compared to 2013, the volume of day trips remained the same but day trip expenditure fell very marginally.

Total expenditure by visitors to Arun is estimated to have been in the region of £240.6 million in 2014, up marginally by 0.5% compared to 2013.

Once adjustments are made to recognise that some of this expenditure will take place outside the District (e.g. it is estimated that around 40% of expenditure on travel such as the purchase of petrol, coach and train fares, will be made at source of origin or on-route), total direct visitor expenditure is reduced to £228.7 million.

Additional tourism expenditure is however, generated by other sources, increasing the total amount of money spent in the District. It is estimated that expenditure on second homes and on goods and services purchased by friends and relatives visitors were staying with, or visiting, generated a further total £8.7 million expenditure associated with overnights trips in 2014**.**

This brings direct expenditure generated by tourism in 2014 in the District to £237.4 million, up by a very modest 0.2% compared to 2013.

Direct expenditure is translated to £320.6 million worth of income for local businesses through additional indirect and induced effects. Compared to 2013, this represents a marginal increase of 0.3% in total tourism value.

This tourism-related expenditure is estimated to have supported 4,672 FTE jobs in Arun. Many of these jobs are part-time or seasonal in nature and translate into an estimated 6,412 Actual Jobs.

These jobs are spread across a wide range of service sectors from catering and retail to public service jobs such as in local government, and not just tourism. According to the Office of National Statistics, there are 50,000 employee jobs across the District. Based on our estimates, total tourism related expenditure supported 12.8% of these jobs in the District in 2014.

2. INTRODUCTION

2.1 Objectives of Study

This report examines the value, volume and resultant economic impact of tourism on Arun. The study was undertaken by Tourism South East using a widely recognised, industry specific methodology, known as the Cambridge Model. To date, this approach has been widely applied across England and the South East region to produce an indicative outline of the scale of tourism activity on a local area basis.

2.2 Background

Tourism is not an industry in the conventional sense of the word – i.e. the tourism product is not created out of a conventional production process and the methods used to measure tourism are not conventional ones. Essentially, the tourism industry serves our needs while we are away from our 'usual environment' by providing products and services, and represents an important part of many local economies.

Measuring the impact of visitor volumes at a local level has been an important issue for destination and countryside managers for years. Yet, the scale, diversity and nature of tourism makes quantification a challenge – for example:

- A plethora of businesses across many different sectors comprise the 'tourism product' e.g. accommodation businesses, visitor attractions, transport providers, retailers, restaurants, pubs, tea rooms etc.
- There are many different types of tourist – day visitors, staying visitors, visitors on holiday, visitors on business, plus visitors visiting friends and relatives, on language study etc. All these different markets behaviour in a different way with respect to trip frequency, spend per head, duration of stay etc.
- The nature of tourism itself creates problems as it is impossible to accurately monitor and record every visitor entering or leaving a geographical area.

It must, therefore, be stressed that calculating the value, volume and impact of tourism can never be a precise science. Theoretically, the best approach is implementing cordon surveys – but these are seldom affordable in practice and still engender a number of technical problems. Thus, the method chosen is always governed by issues of affordability, practically, data availability or attainability, data quality/ representativeness and comparability (both in a spatial and temporal sense).

It is for this reason, that the Cambridge Model – a computer based, industry specific model developed to calculate estimates of volume, value and economic impact of tourism on a county of District basis – has been used extensively.

2.3 The Cambridge Model: Background

For almost ten years, regional tourist boards across England have been working with Geoff Broom Associates in developing the Cambridge Model approach to estimate the value and volume of tourism to local authority areas.

The model was developed to provide an affordable method of calculating the value of tourism to local economies through using a range of readily available local data on an area's tourism product to disaggregate a range of regional/ county tourism statistics. The method is popular with local authorities as it is affordable and can readily use available local statistics to generate a view of the volume, value and economic impact of visitor activity in the area. Nevertheless, where additional local data exists e.g. high quality occupancy data, information on profile of visitor structure and associated spend etc – this enables the replacement of regional data in the first stages of the model. Business surveys can also be commissioned to generate local calibration of the economic stage of the model.

Indeed, although the Cambridge Model approach has been frequently labelled as being 'top-down', it is entirely possible to drive the model entirely by locally collected data, and thus introduce 'bottom-up elements'. Furthermore, the model utilises a standard methodology capable of application across the UK, and thus offers the potential for direct comparisons with similar destinations throughout the country.

2.4 Cambridge Model Version II

Since the inception of the original Cambridge Model approach, a number of changes have occurred to the model's methodology and the context of operation. Most importantly, autumn 2003 saw the launch of Cambridge Model Version II. This revised approach was developed from work undertaken for the South West Regional Development Agency and includes a number of enhancements. These include:

- greater use of local data within the standardised model e.g. occupancy data, information on local wage rates
- enhanced outputs, notably visitor nights by accommodation type, spend by accommodation type, impact of non-trip related spend
- more sophisticated economic impact analysis section
- adoption of a rolling average methodology for staying visitor value and volume[1]

2.5 Methodological Overview

2.5.1 Key Outputs

The model has two stages:

Stage 1: Calculates the volume and value of day and staying visitors to the study area.
Stage 2: Estimates the economic impact of this visitor spending in the local economy.

The Cambridge Model is therefore able to generate indicative estimates for the following:

- The volume of staying trips taken in the District by overseas and domestic visitors
- The volume of visitor nights spend in the District by overseas and domestic visitors
- The number of leisure day visits taken from home to and within the District

[1] *This approach offers the additional benefits of producing estimates using more county specific information and is based on three years worth of data for staying visitors – whilst providing additional outputs – notably expenditure and visitor nights by accommodation type.*

- Visitor expenditure associated with these trips to the District, and its distribution across key sectors of the local tourism economy
- The value of additional business turnover generated by tourism activity within the District
- The level of direct, indirect and induced employment sustained by visitor expenditure within the District

For staying trips the model also offers a breakdown according to the type of accommodation used and the main purpose of visit, i.e. holiday, visiting friends and relatives, business, language school visit and ‘other’[2] purposes.

2.5.2 Data Sources

In its standard form, the Cambridge Model uses a range of local data including details of accommodation stock, local occupancy rates, population, employment, local wage rates and visits to attractions. It applies this locally sourced information to regional estimates of tourism volume and expenditure derived from the following national surveys:

- Great Britain Tourism Survey (GBTS)
- International Passenger Survey (IPS)
- Great Britain Day Visits Survey (GBDVS)
- New Earnings Survey
- Census of Employment
- Census of Population
- Labour Force Survey
- Annual Business Inquiry.

As highlighted above, the Model allows estimates generated using the above existing data sources to be refined further using locally available survey data – to the extent that it is possible to drive the Model entirely by locally collected data. Locally collected data used in this study include:

- Audit of accommodation stock
- Average room and bed occupancy from local survey
- Number of visits to attractions from local survey
- Retail footfall from large retail outlets

2.5.3 Limitations of Model

The Model relies on a range of data sources, which in turn are based on different methodologies and are estimated to different levels of accuracy. The estimates generated by the Model can therefore only be regarded as indicative of the scale and importance of visitor activity in the local area. The Model cannot, for example, take account of any additions to, or leakage of, expenditure arising from visitors taking day trips into or out of the area in which they are staying. It is likely, however, that these broadly balance each other in many areas.

[2] ‘Other’ visitors typically include visitors coming to an area for reasons such as education and training, social or sporting events, or even business matters relating to personal or family duties.

2.5.4 Accuracy of the model

As with all models, the outputs need to be viewed in the context of local information and knowledge. Because of the nature of tourism and the modelling process, this model (as with other approaches) can only produce indicative estimates and not absolute values.

The Cambridge Model approach has been independently validated (R Vaughan, Bournemouth University) and was judged robust and the margins of error acceptable and in line with other modelling techniques. Tourism South East, also implement a number of measures to ensure that outputs are indicative as possible, through working with the local authority to audit accommodation to ensure that data inputs on accommodation capacity are as accurate as possible, and ensuring a high degree of transparency in the process (methodology employed, data used, assumptions made)

As a result, there should be confidence that the estimates produced are as reliable as is practically possible within the constraints of the information available.

3. TABLES OF RESULTS

TABLE 1: STAYING TRIPS BY ACCOMMODATION						
	UK		Overseas		Total	
Serviced	233,031	44.7%	30,798	48.1%	263,829	45.1%
Non-serviced	168,045	32.3%	8,100	12.6%	176,145	30.1%
Group/campus	4,221	0.8%	1,047	1.6%	5,268	0.9%
Second homes	3,578	0.7%	0	0.0%	3,578	0.6%
Boat moorings	2,095	0.4%	0	0.0%	2,095	0.4%
Paying guests	0	0.0%	2,221	3.5%	2,221	0.4%
VFR home	110,040	21.1%	21,928	34.2%	131,968	22.6%
Total 2014	521,010		64,094		585,104	11.0%
Total 2013	528,892		60,342		589,234	
% change	-1.5%		6.2%		-0.7%	

TABLE 2: STAYING NIGHTS BY ACCOMMODATION						
	UK		Overseas		Total	
Serviced	465,299	29.1%	123,193	31.5%	588,492	29.6%
Non-serviced	720,282	45.1%	38,491	9.8%	758,773	38.2%
Group/campus	38,502	2.4%	7,680	2.0%	46,182	2.3%
Second homes	18,075	1.1%	0	0.0%	18,075	0.9%
Boat moorings	0	0.0%	0	0.0%	0	0.0%
Paying guests	0	0.0%	14,246	3.6%	14,246	0.7%
VFR home	354,316	22.2%	208,071	53.1%	562,387	28.3%
Total 2014	1,596,474		391,680		1,988,154	
Total 2013	1,582,453		377,784		1,960,237	
% change	0.9%		3.7%		1.4%	

TABLE 3: STAYING SPEND BY ACCOMMODATION						
	UK		Overseas		Total	
Serviced	£53,160,364	56.8%	£14,900,210	56.9%	£68,060,574	56.8%
Non-serviced	£28,080,855	30.0%	£2,222,293	8.5%	£30,303,148	25.3%
Group/campus	£711,623	0.8%	£561,504	2.1%	£1,273,127	1.1%
Second homes	£761,184	0.8%	£0	0.0%	£761,184	0.6%
Boat moorings	£0	0.0%	£0	0.0%	£0	0.0%
Paying guests	£0	0.0%	£998,601	3.8%	£998,601	0.8%
VFR home	£10,847,910	11.6%	£7,490,572	28.6%	£18,338,482	15.3%
Total 2014	£93,561,936		£26,173,182		£119,735,118	
Total 2013	£93,297,728		£24,536,329		£117,834,057	
% change	0.3%		6.7%		1.6%	

TABLE 4: TOURISM DAY VISITS		
	Trips	Spend
Total 2014	3,720,000	£120,900,000
Total 2013	3,720,000	£121,644,000
% change	0.0%	-0.6%

TABLE 5: BREAKDOWN OF EXPENDITURE ASSOCIATED WITH TRIPS							
	Accomm.	Shopping	Food and drink	Attractions/ entertain.	Travel	Total	%
UK Tourists	£29,460,000	£15,884,000	£21,452,000	£9,870,000	£16,897,000	£93,563,000	39%
Overseas tourists	£7,587,000	£7,923,000	£4,004,000	£4,932,000	£1,727,000	£26,173,000	11%
Total	£37,047,000	£23,807,000	£25,456,000	£14,802,000	£18,624,000	£119,736,000	
%	30.9%	19.9%	21.3%	12.4%	15.6%		
Tourist day visitors	£0	£53,179,000	£44,870,000	£11,633,000	£11,218,000	£120,900,000	50%
%	0.0%	44.0%	37.1%	9.6%	9.3%		

Note: Figures have been rounded

TABLE 6: TOTAL BREAKDOWN OF EXPENDITURE ASSOCIATED WITH ALL TRIPS						
	Accomm.	Shopping	Food and drink	Attractions/entertain.	Travel	Total
Total 2014	£37,047,000	£76,986,000	£70,326,000	£26,435,000	£29,842,000	£240,636,000
%	15.4%	32.0%	29.2%	11.0%	12.4%	
Total 2013						£239,480,000
% Change						0.5%

Note: Figures have been rounded

TABLE 7: DIRECT BUSINESS TURNOVER DERIVED FROM TRIP EXPENDITURE						
	Staying tourists		Day visitors		Total	
Accommodation	£37,556,000	33%	£897,000	1%	£38,453,000	17%
Retail	£23,569,000	21%	£52,648,000	45%	£76,217,000	33%
Catering	£24,693,000	22%	£43,524,000	37%	£68,217,000	30%
Attraction/entertain	£15,294,000	14%	£12,613,000	11%	£27,907,000	12%
Transport	£11,174,000	10%	£6,731,000	6%	£17,905,000	8%
Total [1]	£112,286,000		£116,413,000		£228,699,000	
Other expenditure[2]					£8,687,000	
Total 2014 with 'other'.					£237,386,000	
Total 2013 with 'other'.					£236,813,000	
% Change					0.2%	

Note: Figures have been rounded

(1) Adjustments have been made to visitor expenditure by sector to recognise that some spending on retail and food and drink will fall within attractions or accommodation establishments. A small proportion of day trip spend will also fall into 'Accommodation' where day visitors have eaten in restaurants/bars of hotels. Furthermore, it is assumed that 40% of travel expenditure occurs outside the destination

(2) Apart from the spending associated with the individual trips, additional spending by non-visitors, e.g. friends and relatives with whom the visitor is staying with will also take place. Moreover, owners of second homes/boats will spend some money on maintenance, repair. Data is only available for additional expenditure made related to overnight trips.

TABLE 8: INDIRECT BUSINESS TURNOVER ARISING FROM THE PURCHASE OF SUPPLIES AND SERVICES BY BUSINESSES			
	Staying tourists	Day visitors	Total
Businesses in receipt of trip spend	£32,646,000	£22,092,000	£54,738,000
Indirect turnover from 'other' expenditure	£1,737,000	£0	£1,737,000
Income induced spending	£14,790,000	£11,965,000	£26,755,000
Total	£49,173,000	£34,057,000	£83,230,000

Note: Figures have been rounded

TABLE 9: TOTAL LOCAL BUSINESS TURNOVER SUPPORTED BY ALL TOURISM ACTIVITY			
	Staying tourists	Day visitors	Total
Direct	£120,973,000	£116,413,000	£237,386,000
Supplier/ income induced	£49,173,000	£34,057,000	£83,230,000
Total 2014	£170,146,000	£150,470,000	£320,616,000
Total 2013	£168,129,000	£151,397,000	£319,526,000
% change	1.2%	-0.6%	0.3%

Note: Figures have been rounded

TABLE 10: TOURISM SUPPORTED JOBS	
Total FTE 2014	4,672
Total FTE 2013	4,653
% change	0.4%
Actual 2014	6,412
Actual 2013	6,385
% change	0.4%

TABLE 11: PROPORTION OF TOTAL JOBS SUSTAINED ACROSS ALL SECTORS	
	Total
Total employed [3]	50,000
Tourism employment	6,412
Tourism proportion	12.8%

[3] Total labour force is based on all employees incl. part-time (excludes government-supported trainees and HM Force and self-employment). The information comes from the Business Register and Employment Survey (BRES) an employer survey conducted by ONS in December of each year.