The Economic Impact of Tourism on Medway 2006

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TOURISM
SOUTH EAST

CONTENTS

Glossary of terms

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.

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.

'Other' 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.

Economic multiplier
Multipliers are used to estimate the economic impact of visitor expenditure. Visitor expenditure produce three effects. <u>Direct</u> 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. <u>Indirect</u> 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. <u>Induced</u> 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.

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

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.

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.

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.

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 overseas trips to the UK.

United Kingdom Day Visits Survey (UKDVS)
The leisure day visits survey was last conducted in 2002/3 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 2002/3.

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 are 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.

New Earnings Survey (NES)
The New Earnings Survey provides information on wage levels by industry sector and occupation. The main strength of the NES 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 NES is the best source for estimating full time earnings and the 2001 edition has been used.

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 policies.

Tourism Economic Impact Estimates

1. Summary of results

1.1 Key headline figures for Medway for 2006

- 555,625 staying trips
- 1,934,401 staying visitor nights
- £78,448,815 spent by staying visitors on their trip
- 3,062,757 tourism day trips
- £113,077,006 spent by tourism day visitors on their trip
- In total £191,544,615 was spent by all visitors on their trip
- In addition, expenditure by friends and relatives on visitors, and visitors spend on second homes (i.e. maintenance) generates a further £23,590,000.
- With the addition of other expenditure tourism activity generated £215,115,821 expenditure.
- Of this expenditure, £265,656,300 directly benefits local business in terms of direct and indirect business turnover through multiplier effects.
- This income supported 3,859 FTE jobs and 5,279 Actual jobs

1.2 Volume and value of trips

- It is estimated that around 555,625 overnight tourism staying trips were made to Medway in 2006. Of these trips, domestic visitors made 86% of trips (476,968) and overseas visitors made 14% of trips (78,657). **See Table 1**

- Of all commercial accommodation available to visitors, serviced accommodation (hotels, guest houses and B&Bs) was the most popular choice among visitors (used by 24% of domestic staying visitors and 28% of overseas staying visitors). Around 1% of all staying visitors used caravans or camping accommodation. **See Table 1**

- Significant proportions of both domestic and overseas visitors were accommodated in the homes of friends and family during their trip to Medway (65% and 52% respectively). **See Table 1**

- In total, it is estimated that around £78,448,815 was spent by staying visitors on their trip to Medway in 2006. Of this expenditure, 72% was spent by domestic visitors and 28% by overseas visitors. **See Table 3**

- It is estimated that around 3.1 million tourism day trips were made to Medway in 2006, generating a further £113,077,006 trip expenditure. **See Table 4**

- In total, around £191,544,615 was spent on trips to Medway in 2006 by staying and day visitors. 29% of this expenditure was made by domestic staying visitors; 12% by overseas staying visitors and 59% by day visitors. **See Table 5**

- It is estimated that 13% of total trip expenditure went towards the cost of accommodation. Approximately a third of total trip expenditure (33%) was spent in the retail sector and 27% was spent in catering establishments. Approximately 10% of total trip expenditure went on visits to attractions and other entertainment. Finally, the remaining 14% of total trip expenditure was spent in the transport sector. **See Table 5**

1.3 Economic impact

- In addition to the £191,544,615, further additional expenditure spent by visitors on second homes and by friends and relatives, who visitors are staying with or visiting, needs also to be accounted for as this represents a significant additional source of income for local businesses. It is estimated that this 'additional' expenditure generated a further £23,590,000 of direct turnover for local businesses. **See Table 6**

- Visitor expenditure and additional expenditure generated £215,115,821. **See Table 6**

- Of the £215,115,821 estimated to have been spent by visitors on their trip, around £204,351,000 directly benefited local businesses from hotels and restaurants to cafes, shops and attractions in Medway. Adjustments have been made to recognise that some spending on retail and food and drink will fall within attractions or accommodation establishments. Furthermore, it is assumed that 40% of travel spend will take place at the origin of the trip rather than at the destination. **See Table 7**

- In addition to the business turnover generated in those businesses directly receiving visitor income, successive rounds of expenditure, that is spending by these businesses on local supplies and spending by employers in the local area, is estimated to have generated a further £61,305,300 to the local economy. **See Table 7**

- Drawing together direct business turnover, supplier and income induced expenditure, and the additional expenditure spent on second homes and by friends and relatives, the total value of tourism activity in Medway in 2006 is estimated to have been around £265,656,300. **See Table 7**

- This income to the local economy is estimated to have supported around 3,859 Full-Time Equivalent Jobs and 5,279 Actual Jobs (with the addition of seasonal and part-time employment). **See Table 8**

- Overall it is estimated that tourism expenditure supported 8% of local employment. **See Table 9**

2. Tables of Results

2.1 Overnight trips by accommodation

Table 1: Number of staying trips by accommodation stayed at

	UK	%	Overseas	%	Total	%
Serviced	113,611	24%	22,323	28%	135,934	24%
Self catering	1,295	0%	138	0%	1,433	0%
Caravan / tents	6,901	1%	494	1%	7,395	1%
Group / campus	2,351	0%	600	1%	2,951	1%
Second homes	3,475	1%	1,006	1%	4,481	1%
Boat moorings[1]	5,741	1%	0	0%	5,741	1%
Other/mixed[2]	36,973	8%	10,200	13%	47,173	8%
Paying guests		0%	2,772	4%	2,772	0%
SFR	306,621	65%	41,124	52%	347,745	64%
2006	476,968	100%	78,657	100%	555,625	100%
2003	496,000		77,000		573,000	
% change	-4%		2%		-3%	

Table 2: Number of nights by accommodation stayed at

	UK	%	Overseas	%	Total	%
Serviced	269,435	19%	61,766	12%	331,201	17%
Self catering	5,274	0%	2,629	1%	7,903	0%
Caravans / tents	88,751	6%	1,969	0%	90,720	5%
Group / campus	4,644	0%	6,317	1%	10,961	1%
Second homes	10,210	1%	12,447	2%	22,657	1%
Boat moorings	16,559	1%	0	0%	16,559	1%
Other	91,677	7%	18,625	4%	110,302	6%
Paying guests	0	0%	32,591	6%	32,591	2%
Staying with SFR	922,987	66%	388,521	74%	1,311,508	67%
Total	1,409,537	100%	524,864	100%	1,934,401	100%
2003	1,422,000		519,000		1,941,000	
% change	-1%		1%		0%	

Table 3: Spend by accommodation stayed at

	UK	%	Overseas	%	Total	%
Serviced	£23,171,371	41%	£6,210,005	28%	£29,381,376	37%
Self catering	£200,421	0%	£111,428	1%	£311,849	0%
Caravans / tents	3,106,290	6%	62,472	0%	£3,168,762	4%
Group / campus	£148,621	0%	£286,116	1%	£434,737	1%
Second homes	£459,445	1%	£1,170,006	5%	£1,629,451	2%
Boat moorings	£248,385	0%	£0	0%	£248,385	0%
Other	£2,108,566	4%	£372,494	2%	£2,481,060	3%
Paying guests	-	0%	£1,169,376	5%	£1,169,376	1%
Staying with SFR	£26,766,629	48%	£12,857,191	58%	£39,623,820	52%
Total	£56,209,729	100%	£22,239,086	100%	£78,448,815	100%
2003	£53,283,000		£21,374,000		£74,657,000	
% change	5%		4%		5%	

SFR = staying with friends/relatives

[1] *Information on boat use is not available for overseas tourists.*

[2] *Trips which involve staying in more than one type of accommodation over the duration of the trip. For overseas trips these also include nights spent in transit, in lorry cabs and other temporary accommodation.*

2.2 Tourism day trips

Table 4: Tourism Day trips and spend				
	Trips		Spend	
Total	3,062,757		£113,077,006	
2003	3,037,000		£105,006,000	
% change	1%		8%	

2.3 Sector breakdown of visitor expenditure

Table 5: Sector breakdown of trip expenditure								
	Domestic		Overseas		Day		Total	
Accommodation	£19,051,499	34%	£5,695,265	26%		0%	£24,746,764	13%
Retail	£7,878,371	14%	£6,666,130	30%	£47,102,131	41%	£61,646,632	33%
Catering	£12,447,560	22%	£4,972,054	22%	£40,741,974	36%	£58,161,588	30%
Attractions	£6,339,498	11%	£2,721,532	12%	£10,968,470	10%	£20,029,500	10%
Travel	£10,492,801	19%	£2,202,899	10%	£14,264,432	13%	£26,960,132	14%
Total	£56,209,729	100%	£22,257,880	100%	£113,077,006	100%	£191,544,615	100%

2.4 Other trip related expenditure

Table 6: Breakdown of other trip related expenditure	
Second homes	£350,000
Boats	£2,750,000
Friends and relatives	£20,490,000
Total 2006	£23,590,000
Total 2003	22,746,000
% change	4%
Total trip expenditure added to additional expenditure	£215,115,821

2.5 Business turnover derived from tourism and related expenditure

Table 7: Income for local business generated by trip expenditure	
Direct	£204,351,000
Supplier and income induced	£61,305,300
Total 2006	£265,656,300
Total 2003	£253,518,000
% change	5%

2.6 Employment supported by tourism and related expenditure

Table 8: Local employment supported by the visitor economy	
FTE	3,859
Actual 2006	5,279
Actual 2003	5,175
% change	2%

TABLE 9: PROPORTION OF TOURISM SUPPORTED JOBS DISTRICT	
Total employment	121,000
Tourism employment	5,279
Tourism proportion	4%

3. Methodology

The Cambridge Model

The Cambridge Model is essentially a computer-based spreadsheet model that produces estimates from existing national and local information (e.g. accommodation stocks, inbound trips) of the level of tourism activity within a given local area. The volume of visits are translated into economic terms by estimating the amount of spending by visitors based on their average spend per trip. In turn, the impact of that spending can be translated to estimate the effects in terms of business turnover and jobs.

The standard measures generated in this Model are: the total amount spent by visitors, the amount of income for local residents and businesses created by this spending, and the number of jobs supported by visitor spending.

As the Model utilises a standard methodology capable of application throughout the UK, it offers the potential for direct comparisons with similar destinations throughout the country.

The basic process of estimation used can be divided into three parts:

- visitor trips and visitor spending at a regional/county level derived from national survey sources (county/City)
- local supply data on accommodation, attractions and other factors specific to the City.
- the use of multipliers derived from business surveys in England to estimate full time equivalent and actual jobs generated by visitor spending in the area.

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:

- United Kingdom Tourism Survey (UKTS)
- International Passenger Survey (IPS)
- United Kingdom Day Visits Survey (UKDVS)
- Visits to Attractions Survey
- New Earnings Survey
- Census of Employment
- Census of Population
- Labour Force Survey

The sophistication of the economic impact estimates will depend on the availability of detailed reliable local information to supplement national and regional data sources. Where such data is available from local surveys, then local variations can be explicitly included.