The Economic Impact of Tourism
Test Valley 2012

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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. <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.

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.

1. SUMMARY OF RESULTS

1.1 Introduction

This report contains the findings of a study commissioned by Test Valley Borough 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 Test Valley in 2012.

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

- Over the course of the year, 104.5 million domestic overnight trips were taken in England. The value of domestic overnight trips increased by 8.8%, from £17.9 billion in 2011 to £19.5 billion in 2012.

- The South East also benefited from a rise in the volume of trips during 2012 (up 6% to just under 18 million overnight trips), however, expenditure in the South East increased by 14% to £2.9 billion.

- Visiting Friends & Relative (VFR) trip volume remained static compared with 2011 however VFR visitor spend was up 14%. Holiday trips in 2012 were up by 4% compared with 2011, however visitor spend increased by 19% to an average of £217 per trip. Business trips, which represent around 15% of all domestic overnight trips in the South East were up by 9% in 2012 compared with 2011, although business visitor spend increased by only a relatively small proportion (2.5%).

- The average trip duration for all domestic overnight visits to the South East in 2012 was 2.7 nights, with an average spend of £163 per trip and £60 per night.

- Over the course of the year, overseas visitors made a total of 26.8 million overnight trips in England, a similar number to 2011. Visitor nights were down 2% compared with 2011, however trip expenditure increased by 4%.

- Although the volume of overseas visitor trips to the South East was similar to 2011, visitor nights were down by 7%, indicating a shorter average trip duration. Expenditure was down by 1% (average £440 per trip compared with £444 in 2011).

- The highest proportion of overseas visitor trips to the South East in 2012 were VFR trips (37%), representing almost 1.6 million trips and £523 million visitor spend. The number of VFR trips in 2012 was similar to 2011, and although visitor nights were down 4% VFR visitor spend increased by 2.5%.

- Holiday trips taken in the South East by overseas visitors fell by 7% in 2012 compared with 2011, and trips tended to be slightly shorter, however, spend by overseas holiday visitors was comparable with 2011 (down 1%).

- In contrast, business trips in the South East by overseas visitors increased in volume and value by around 10% between 2011 and 2012, although trips tended to be slightly shorter (4.5 nights in 2012 compared with 5.0 in 2011).

- Overseas visitor trips to the South East accounted for 14% of all overseas visitor trips to the UK in 2012 and 10% of all overseas visitor expenditure in the UK. As usual, London enjoyed the largest proportion of overseas visitor trips and overseas visitor spend (50% and 54% respectively).

- Figures published in the Great Britain Day Visits Survey (2012) indicate that there were 1,467 million Tourism Day Visits[1] undertaken in England during 2012 and that day visitors spent a very considerable £48.46 billion undertaking these trips. There were 245 million day visits undertaken in the South East with a total expenditure of £7,547 million.

- The average spend per tourism day trip in the South East was £30.77 compared with £33 for England as a whole.

- The regional pattern is reflected across all counties in the South East, although there are some differences at local, destination level.

1.3 Volume & Value of Tourism – Test Valley

- Overall, an estimated 243,000 staying trips were spent in the Borough in 2012, of which around 209,000 were made by domestic visitors (87%) and 34,000 by overseas visitors (13%). Compared to 2010, domestic overnight trips increased by 8.3% and overseas overnight trips increased by 13.3%.

- Despite an increase in trip volume, the actual number of night spent in the Borough fell slightly compared to 2010. Staying trips resulted in an estimated 750,000 visitor nights in the Borough, a decrease of 1.2% compared to 2010 as a result of a shortening in average trip length. Average domestic overnight trip length decreased from 2.89 nights in 2010 to 2.57 nights in 2012 and average trip length among visitors from overseas decreased from 6.73 nights in 2010 to 6.26 nights in 2012.

- In total staying visitors spent in approximately £41 million on their trip. Despite the drop in trip length, visitor expenditure level increased in 2012 by 15.3% compared to 2010. Average visitor expenditure among domestic overnight visitors increased from £134.64 in 2010 to £141.27 in 2012. Average visitor expenditure among visitors from overseas increased from £323.43 in 2010 to £342.26 in 2012.

- Approximately 3,260,000 tourism day trips were made to the Borough (lasting more than 3 hours and taken on an irregular basis) in 2012 generating an additional £115,763,000 in visitor trip expenditure. Compared to 2010, the volume of day trips both increased by 1.4%. However, average trip expenditure among day visitors dropped from £37.58 per person in 2010 to £35.51 per person, leading to a 4.2% reduction in visitor expenditure.

- Total expenditure by visitors to Test Valley is estimated to have been in the region of £156,924,000 in 2012, similar to the overall level of expenditure seen in 2010.

[1] *Tourism Day Visits are defined as leisure day visits which lasted at least 3 hours, included specific leisure activities, were not taken on a regular basis and were located outside of the participant's 'usual environment'.*

- Once adjustments are made to recognise that some of this expenditure will take place outside the Borough (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 £149,419,000.

- Additional tourism expenditure is however, generated by other sources, increasing the total amount of money spent in the Borough. 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 £5,652,000 expenditure associated with overnights trips in 2012.

- This brings direct expenditure generated by tourism in the Borough in 2012 to £155,071,000.

- Direct expenditure is translated to £191,421,000 worth of income for local businesses through additional indirect and induced effects (which generated a further £36,350,000). Compared to 2010, this represents an increase of 8% in total tourism value.

- This tourism-related expenditure is estimated to have supported 3,165 FTE jobs in Test Valley. Once part-time and seasonal employment is added, the total number of jobs supported increased to 4,448 Actual jobs, up 2% compared to 2010.

- 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 62,000 jobs across the Borough (included self-employed). Based on our estimates, total tourism related expenditure supports 7% of these jobs in the Borough.

2. INTRODUCTION

2.1 Objectives of Study

This report examines the value, volume and resultant economic impact of tourism to the Borough of Test Valley. 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 Borough basis – has been used extensively.

2.3 The Cambridge Model

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 exist 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[2]

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 Borough by overseas and domestic visitors

[2] *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.*

- The volume of visitor nights spend in the Borough by overseas and domestic visitors
- The number of leisure day visits taken from home to and within the Borough
- Visitor expenditure associated with these trips to the Borough, and its distribution across key sectors of the local tourism economy
- The value of additional business turnover generated by tourism activity within the Borough
- The level of direct, indirect and induced employment sustained by visitor expenditure within the Borough

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'[3] 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.

[3] *'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.

Please note that the Cambridge Model rounds numbers to the nearest 1,000. Trips, nights and expenditure considerably lower than 1,000 will not appear on the tables.

3. TABLES OF RESULTS

TABLE 1: STAYING TRIPS BY ACCOMMODATION	UK		Overseas		Total	
Serviced	78,000	37%	13,000	38%	91,000	37%
Self catering	1,000	0%	1,000	3%	2,000	1%
Touring caravans /tents	4,000	2%	1,000	3%	5,000	2%
Second homes	2,000	1%	0	0%	2,000	1%
Boat moorings	0	0%	0	0%	0	0%
Other	26,000	12%	1,000	3%	27,000	11%
Staying with friends and relatives	98,000	47%	18,000	53%	116,000	48%
Total 2012	209,000		34,000		243,000	
Total 2010	193,000	101%	30,000		223,000	
% change	8.3%		13.3%		9.0%	

TABLE 2: STAYING NIGHTS BY ACCOMMODATION	UK		Overseas		Total	
Serviced	153,000	28%	48,000	23%	201,000	27%
Self catering	2,000	0%	7,000	3%	9,000	1%
Touring caravans /tents	17,000	3%	2,000	1%	19,000	3%
Second homes	6,000	1%	5,000	2%	11,000	1%
Boat moorings	0	0%	0	0%	0	0%
Other	92,000	17%	2,000	1%	94,000	13%
Staying with friends and relatives	268,000	50%	149,000	70%	417,000	56%
Total 2012	537,000		213,000		750,000	
Total 2010	557,000		202,000		759,000	
% change	-3.6%		5.4%		-1.2%	

TABLE 3: STAYING SPEND BY ACCOMMODATION	UK		Overseas		Total	
Serviced	£16,800,000	57%	£6,081,000	52%	£22,881,000	56%
Self catering	£167,000	1%	£236,000	2%	£403,000	1%
Touring caravans /tents	£435,000	1%	£144,000	1%	£579,000	1%
Second homes	£267,000	1%	£222,000	2%	£489,000	1%
Boat moorings	£0	0%	£0	0%	£0	0%
Other	£3,376,000	11%	£58,000	0%	£3,434,000	8%
Staying with friends and relatives	£8,481,000	29%	£4,896,000	42%	£13,377,000	32%
Total 2012	£29,526,000		£11,637,000		£41,163,000	
Total 2010	£25,985,000		£9,703,000		£35,688,000	
% change	13.6%		19.9%		15.3%	

TABLE 4: TOURISM DAY VISITS	Trips	Spend
Total 2012	3,260,000	£115,763,000
Total 2010	3,215,000	£120,807,000
% change	1.4%	-4.2%

TABLE 5: BREAKDOWN OF EXPENDITURE ASSOCIATED WITH TRIPS							
	Accomm	Shopping	Food and drink	Attractions/ entertain.	Travel	Total	
UK Tourists	£9,004,000	£5,461,000	£6,282,000	£2,738,000	£6,041,000	£29,526,000	19%
Overseas tourists	£3,688,000	£3,137,000	£2,591,000	£1,071,000	£1,149,000	£11,636,000	7%
Total	£12,692,000	£8,598,000	£8,873,000	£3,809,000	£7,190,000	£41,162,000	
%	31%	21%	22%	9%	17%		
Tourist day visitors	£0	£52,209,000	£40,748,000	£11,229,000	£11,576,000	£115,762,000	74%
%	0%	45%	35%	10%	10%		

TABLE 6: TOTAL BREAKDOWN OF EXPENDITURE ASSOCIATED WITH ALL TRIPS						
	Accomm.	Shopping	Food and drink	Attractions/ entertain.	Travel	Total
Total 2012	£12,692,000	£60,807,000	£49,621,000	£15,038,000	£18,766,000	£156,924,000
%	8%	39%	32%	10%	12%	
Total 2010						£156,494,000
% Change						0.3%

TABLE 7: DIRECT BUSINESS TURNOVER DERIVED FROM TRIP EXPENDITURE						
	Staying tourists		Day visitors		Total	
Accommodation	£12,869,000	34%	£815,000	1%	£13,684,000	9%
Retail	£8,512,000	22%	£51,687,000	47%	£60,199,000	40%
Catering	£8,608,000	22%	£39,526,000	36%	£48,134,000	32%
Attraction/entertain	£3,983,000	10%	£12,159,000	11%	£16,142,000	11%
Transport	£4,314,000	11%	£6,946,000	6%	£11,260,000	8%
Total (adjusted)	£38,286,000		£111,133,000		£149,419,000	
Other trip-related expenditure					£5,652,000	
Total 2012 with ‘other’ trip related expenditure					£155,071,000	
Total 2010 with ‘other’ trip related expenditure					£149,648,000	
% change					4%	

Note: 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 will spend some money on maintenance, repair etc.

TABLE 8: INDIRECT BUSINESS TURNOVER ARISING FROM THE PURCHASE OF SUPPLIES AND SERVICES BY BUSINESSES	
	Total
Businesses in receipt of trip spend	£13,371,000
Income induced spending	£22,979,000
Total	£36,350,000

TABLE 9: TOTAL LOCAL BUSINESS TURNOVER SUPPORTED BY ALL TOURISM ACTIVITY	
	Total
Direct	£155,071,000
Supplier/ income induced	£36,350,000
Total 2012	£191,421,000
Total 2010	£177,783,000
% change	8%

TABLE 10: TOTAL JOBS SUPPORTED BY TOURISM EXPENDITURE	
FTE 2010	3,165
FTE 2008	3,153
% change	0.4%
Actual 2012	4,448
Actual 2010	4,341
% change	2%

TABLE 11: PROPORTION OF TOTAL JOBS SUSTAINED ACROSS ALL SECTORS	
	Total
Total employed	62,000
Tourism employment	4,448
Tourism proportion	7%