

Tourism

Cayman Islands, 19-21 April 2005

Objectives

The objective of this session is to establish the steps that are necessary to undertake an assessment of the tourism industry. Thus this session will address:

- The pre-disaster scenario
- Estimating the direct and indirect damages
- Indications of tourism induced secondary effects
- Establish the path for reconstruction and recovery

Characteristics of Tourism

- ⊗ Tropical cyclones occur during low season, a period of maintenance and low staffing.
- ⊗ High-risk development practices
- ⊗ Operating practices put stress on those natural resources which form the first defense of tropical cyclones

Components

- ❁ Coastal tourism (many Caribbean islands, certain coastal areas of Central America and Mexico);
- ❁ Cruise-ship tourism;
- ❁ Marine-based tourism (diving, yachting, sport fishing, etc.)
- ❁ Domestic tourism;

Components ... *Cont'd*

- ⊗ Tourism based on the natural and cultural heritage;
- ⊗ Business travel;
- ⊗ Visiting friends and relatives

Sensitivity

Among these different categories the sensitivity to natural disasters differs with coastal tourism being the most sensitive, and, business travel and visiting friends and relatives the least.

Evaluation of the Situation prior to the disaster

- ⊗ Understanding of the situation;
- ⊗ Identification of those components of the tourism infrastructure and superstructure not covered by the evaluation of other sectors; e.g.
 - hotels and guesthouses
 - natural and cultural heritage attractions
 - marinas
 - yachts and other vessels used for marine-based tourism (e.g. dive vessels, sport-fishing boats, etc.)

Evaluation of the Situation prior to the disaster... *Cont'd*

- It may be necessary to include cruise-ship harbours and jetties if these are not included in the evaluation of ports and harbours.
- ⊗ Analysis of the trends in flows of tourist arrivals and expenditures; and, if available
- ⊗ Analysis of the major tourism-dependent economic and public finance variables, such as Balance of Payments, or tourism-related taxes;
- ⊗ Based on the stock and flow analysis, an estimate of the tourism's sector performance in absence of the disaster.

Table 1
Example worksheet
pre disaster capacity

Name	Rms.	Empl.	Category	Notes
Laguna Hotel	350	400	Luxury	
Mary's Guesthouse	15	3	Simple	
La Mer Marina	25	55	Marina	350 slips
Buccaneer	45 ³			Charter boat, 15 boats, 3 cabins each
Mt. Peak Reserve				Nature reserve
Charlies	25		Medium	Under construction, ready by December

Table 2
Example worksheet
Direct damages for hotels and restaurants (Cost in US\$000's)

Name	Rooms damaged		Rooms destroyed		Other buildings	Equip-ment	Soft furnishings	Inventories	Landscaping + beach restoration
	No.	Cost	No	Cost	Cost	Cost	Cost	Cost	Cost
Laguna Hotel	70	3500	50	5000	300	1200	400	200	10,000
Mary's Guesthouse	1	15	1	40		nil	5	nil	nil
Charlie's	25	250	na	na		nil	nil	nil	nil

Losses

- ⊗ The demand and the supply side (or both) induced drops in tourist arrivals and the consequent losses in tourism revenues:
 - Because of different policy responses it is of some importance to distinguish between demand and supply induced drops even when, as is often the case, both occur simultaneously.

- ⊗ Supply side constraints become active when damages are so extensive that a country can no longer satisfy the pre-hurricane demand
- ⊗ Loss in hotel room capacity
- ⊗ Loss in yacht capacity
- ⊗ Access problems - airports and ports

⊗ Loss in hotel room capacity can be of longer duration;

- Some rooms get damaged and will need repair, marginal properties may go out of business or legal disputes may delay the re-opening of (time-share) hotels. All of these factors affect the supply of accommodation facilities. For example, six weeks after Hurricane Lenny, 40 per cent of the hotel room capacity in Anguilla was still not available.

⊗ In practical terms, such supply constraints may be relatively easy to estimate by summation of individual property loss of business estimates:

• **Individual property loss of business** = No of rooms not available* no. of days of non-availability* realized room rate* occupancy rate

- (Summations have to be calculated on a season by season basis. Data on realized room rates (as opposed to rack rates) and on individual occupancy rates may not be available on a property by property basis.

⊗ Legal disputes

⊗ Supply constraints tend to be addressed quickly
and

in general should not affect tourism for periods of
more than a year.

- ⊗ Demand-induced drops of tourist arrivals may linger for years
- ⊗ Depends on the robustness of the tourism product and on structural strengths and weaknesses
- ⊗ May affect
 - Rebuilding and (re) construction plans
 - Realized room rates
 - How the future of tourism is perceived
- ⊗ Potentially has much more serious implications or consequences

Table 3

Example worksheet

Datasheet for the LOB estimate

Name	Rms or yachts	Rms or Yachts not Available	OLS %	OHS %	Rate LS US\$/day	Rate HS US\$/day	Notes
Laguna	350	120	70	90	250	350	50 rms available by December 15, all others available by end of January
Mary's	15	2	50	70	60	80	Rms available by December 15
Charlie's	25	25		80 e	120	200	3 mths delay in completion
La Mer	25	25	50	70	60	80	10 available by December 15, remainder by January
Buccaneer	15	11	40	80	300	500	Only 6 owners decide to replace yacht. 6 mths delivery. Company decides to ship in 8 yachts by December 15.

Table 4

Example worksheet Estimating the LOB (US\$000's)

Name	No of LS days	LOB LS	No of HS days	LOB HS	Total LOB
Laguna	30	$120*30*250*0.7=630$	45	$45*70*350*0.9=990$	1520
Marys	30		na		
Charlies	na	na	90	$90*25*200*0.8=360$	360
La Mer	30		45		
Buccaneer	30				

Whereby: LS = Low season

Estimating the indirect effects

- ⊗ A tourism expenditure survey can give valuable insights in the first round expenditure patterns of tourism receipts;
- ⊗ Both expenditure patterns and expenditure estimates will have some validity;
- ⊗ Insight in the input structure of an accommodation establishment can also be used to estimate the indirect effects on other sectors;

Impacts on the economy and government budget

Investment

- ⊗ Increased investment for reconstruction
- ⊗ Possible changes in short-term outlook for investors

Employment

- ⊗ Laying off of tourism staff during reconstruction
- ⊗ Increased construction labour

Direct balance of payment effects

- ⊗ Minus losses in tourism expenditures (as measured by IMF, not tourism authorities definition)
- ⊗ Plus receipt of insurance funds
- ⊗ Plus receipt of investment funds

Direct balance of payment effects ... *Cont'd*

- ⊗ Minus expenditures on construction goods and services for renovation
- ⊗ Minus expenditure on equipment
- ⊗ Plus reduced imports as consequence of reduced tourism expenditures

Government revenue

- ⊗ Loss of tourism related fees, direct and indirect taxes
- ⊗ Increased tax subsidies
- ⊗ Increased welfare payments for tourism workers

GDP first round

- ⊗ Tourism multiplier times Tourism Expenditure
- ⊗ In general the tourism multiplier will be less than 1. A tourism multiplier > 1 generally denotes a transaction multiplier.

Thank you very much!