



# Economic Potential of Tourism

# What is Tourism?

The activities and persons travelling to and staying in places outside their usual environment for not more than twelve consecutive months for leisure, business and other purposes.

*Source: UN/WTO (1993)*

# Definition of a Visitor



## VISITOR

Any person who travels outside of their usual place of residence for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country visited



## TOURIST

A visitor who spends over 24 hours in a private or collective accommodation in the country visited

## SAMEDAY

A visitor who does not spend the night in a collective accommodation facilities

## CRUISE PASSENGER

Special kind of same day visitor who arrives on a cruise ship, generally stay under 24 hours and sleep on board the ship even though the ship remains in port overnight or for several days.

# Primary Data Sources for Tourism Statistics in the Caribbean

- ➔ Immigration Cards
- ➔ Hotel Registration Data
- ➔ Surveys



# Immigration Card

- ◆ The Immigration Card or Emigration/Disembarkation, (E/D) Card is a legal document which is the property of the Justice/Immigration department of a country. Its primary focus is to effectively monitor the movement of persons across borders in the interest of national security.
- ◆ This document provides valuable statistics which can be used by other sectors in the country for planning and establishing policy

# The E\D Card and Tourism Statistics

Where there is cooperation between the tourism sector and the immigration department the E/D card provides valuable information to the tourism sector which can be used for the analysis of international visitor movement. This facilitates the

- Monitoring of Tourism Performance
- More targeted Marketing

# Visitor Information from E/D Cards in the Caribbean

## Standard Information

- ◆ Nationality
- ◆ Residence
- ◆ Address (Street, City, region, zip code)
- ◆ Gender
- ◆ Martial status
- ◆ Age
- ◆ Purpose of Visit
- ◆ Length of Stay
- ◆ Place of Stay
- ◆ Airline
- ◆ Port of Embarkation

## Additional Information

- ◆ Occupation
- ◆ Previous visits
- ◆ Perceptions of trip
- ◆ Previous destinations visited
- ◆ Travel Agent IATA No.
- ◆ Information Source
- ◆ Intention to travel again or recommend destination
- ◆ Non-package/Package tour

# Purpose of Visit

The Purpose of Visit is destination-based and refers to the motivation why a specific place or country is visited in the course of the trip.

The “main purpose” of the visit is the most important factor. It refers to the purpose in the absence of which the trip would not have been made or the given destination would not have been visited.

# Purpose of Visit

## Categories for Purpose of Visit:

### Standard

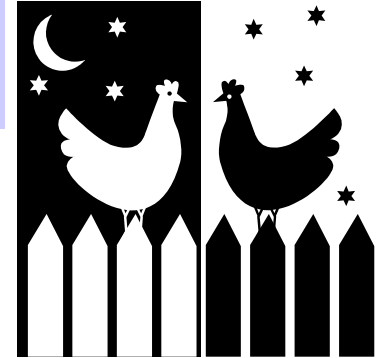
- Leisure, recreation and holidays
- Visiting friends and relatives
- Business and professional
- Health treatment
- Religion / pilgrimages
- Other

### Other categories

- ◆ Boating/yachting
- ◆ Meeting/convention
- ◆ Honeymoon/wedding
- ◆ Sporting activities
- ◆ Diving
- ◆ Eco-tourist



# Length of Stay



The Length of Stay refers to the time spent during a trip or stay in a place or country visited.

The length of stay is a very important piece of statistical data:

- It is the most significant measure of the volume of various tourism activities.
- It is instrumental in establishing the maximum limit beyond which the trip is no longer considered to be part of tourism.
- It distinguishes between tourists and same-day visitors.

# Tourist Accommodation

Tourism Accomodation refers to any facility that regularly or occasionally provides overnight accommodation for visitors.

Main categories:

➔ Collective Establishments

(Hotels, Apartments, Guest Houses, Villa, Private Accommodation)

➔ Private tourist accommodation (owned dwellings, rented rooms in family homes, accommodation provided by friends and relatives)



# Occupancy Rates

Accommodation “occupancy rates” is an important indicator for a number of purposes:



- gives information on differences in use between various types of accommodation establishments.
- when presented on a monthly basis, it indicates the seasonal pattern of the use of tourism accommodation.

# Occupancy Rates

There are various types of occupancy rates.

Occupancy rates referring to:

- Bed-places - the number of beds set up in the room offered, with a double bed counting for two-bed places.
- Rooms

There is also a distinction between

Net and Gross Occupancy Rates.



# Occupancy Rates

The Net Occupancy Rates refer to capacity that is actually available: so it disregards the closed part of the capacity.

The Net Occupancy Rate of bed-places can be calculated as follows:

$$NOR = \frac{(total\ overnight\ stays) \times 100\%}{(total\ available\ bed\ places) \times (number\ of\ nights)}$$

# Occupancy Rates

The Gross Occupancy Rate refers to the potentially available capacity. It is the total capacity, irrespective of whether or not a part is closed for the season or for other reasons.

The Gross Occupancy Rate of bed-places can be calculated as follows:

$$\text{GOR} = \frac{(\text{total overnight stays}) \times 100\%}{(\text{total number of bed-places}) \times (\text{number of nights})}$$

# Occupancy Rates

The Net Occupancy Rate of rooms can be calculated as follows:

$$\text{NOR} = \frac{(\text{total rooms occupied}) \times 100\%}{(\text{total available rooms}) \times (\text{number of nights})}$$

The Gross Occupancy Rate of rooms can be calculated as follows:

$$\text{GOR} = \frac{(\text{total rooms occupied}) \times 100\%}{(\text{total number of rooms}) \times (\text{number of nights})}$$

# Average room rate

The Average Room Rate (ARR) refers to the mean price charged for all hotel rooms sold in a given period of time.

The average room rate (ARR) can be calculated as follows:

$$ARR = (\$) (\text{Room sales}) / (\text{Total number of rooms occupied})$$



# Revenue per available room

The Revenue per available room (RevPAR) refers to the application of a hotel's average occupancy to its average room rate and is a true indicator of the properties ability to generate revenue.

The Revenue per available room can be calculated as follows:

$$\text{RevPAR} = (\text{Rooms Occupancy Rate}) \times (\text{Average room rate})$$

# Tourism Expenditures



The Total Tourism Expenditures are defined as:

Expenditures of international visitors to destinations, excluding payment to foreign carriers for international transport. However, this should include any other Pre-payments made for goods and services received in any foreign country.

Calculation of total tourism expenditures:

*(Average daily expenditure) × (length of stay) × (total visitors)*

# Tourism Expenditures

However, certain purchases occurring while travelling on a tourism trip are excluded from tourism expenditure:

- Purchases for commercial purposes, that is resale or factor of production, made by any category of visitor.
- Capital type investments or transactions engaged in by visitors, such as land, housing, real estate, etc.
- Cash given to relatives or friends during a holiday trip which does not represent payment of tourism goods or services.

# Tourism Expenditures

## Classification of Tourism Expenditures:

- Package travel, package holidays and package tours
- Accommodation
- Food and drinks
- Transport
- Recreation, culture and sports
- Shopping
- Other

# Tourism Expenditures

The Average Daily Expenditures are defined as:

The mean amount spend each day by international visitors on different purchases (accommodation, local transport, etc.) when being on a trip.

Calculation of Average Daily Expenditures:

$$\frac{\textit{Total group expenditures}}{\textit{Total number of visitor nights}}$$

# Leakages

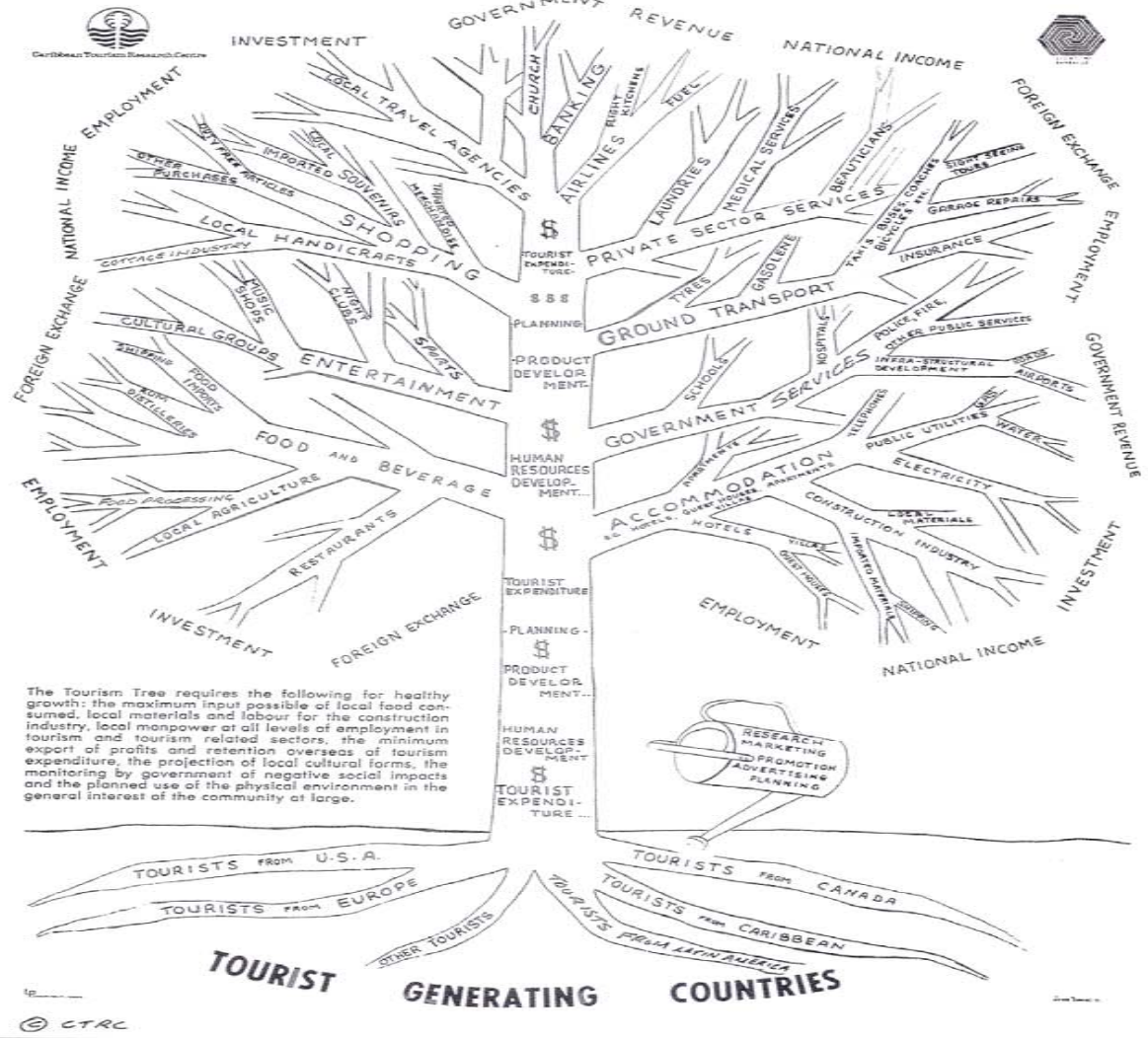
- ◆ Leakages refer to the loss of tourism foreign exchange caused due to the need to import the goods and service required by tourism industry
- ◆ Two types of leakages
  - *First round leakages* – foreign exchange earnings flowing out of the tourist destination almost immediately upon receipt. This is common in hotels and restaurants where imports of goods and liquor are required.
  - *Second round leakages* - foreign exchange earnings that circulate at least once through the economy the destination before flowing out

# Linkages

- ◆ Linkages refer to the extent to which the sub-sectors of the tourism industry use goods and services available in other sectors of the economy.
- ◆ The more locally produced goods and services used the industry the stronger the linkages are with the other sectors of the economy and the lower the leakages.



# THE TOURISM TREE



# Economic Impact

- ◆ Generate jobs particularly in areas (rural and indigenous communities) with high unemployment rates
- ◆ Provide foreign currency which pays for imports
- ◆ Generate government revenue from taxes which is used to extend social services (education, health and other public services) to the local population
- ◆ Stimulate other productive sectors of the economy which come into direct and indirect contact with the tourism industry
- ◆ Fosters investment both locally and internationally

# Creation of Employment

- ◆ Three types of Employment
  - Direct Employment from expenditure on tourism facilities like hotel and restaurants
  - Indirect Employment refers to business affected by tourism in a secondary way, example local transport, handicrafts and banks
  - Induced Employment arise from the spending of money by local residents from there tourism income.
- ◆ Employment is seasonal

# Creation of Employment

- ◆ Tourism creates jobs across the entire employment spectrum
- ◆ Tourism addresses the structural unemployment in rural area
- ◆ Tourism acts as a catalyst for jobs in construction, communications and financial services



# Revenue from Taxes

- ◆ Room Tax - sometimes called a Hotel Occupancy tax, is levied directly on the hotel bill and is paid by the guest.
- ◆ Departure Tax - typically levied directly on the passengers as they depart the country.
- ◆ Sales/Value Added Tax - This tax is added to the cost of goods and services and is administered and collected by the provider of goods on behalf of the government.
- ◆ Import Duties/Levies – This levied on imported goods (food and beverage products, gasoline etc)

# Development of Other Sectors

- ◆ The agricultural sector including fisheries
- ◆ The manufacturing sector – supply the industry with locally made goods (canned and packaged food items, beverages, guest room amenities, furniture and equipment)
- ◆ Cottage industry (informal sector) – ceramics, basket-weaving, wood-carving, jewellery making (using local materials), leather craft

# GDP & Tourism

- ◆ Gross Domestic Product (GDP) is a measure of total output produced in a country during a given year.
- ◆ Historically the tourism contribution has been approximated by Hotels & Restaurants, which is a gross underestimate.
- ◆ Tourism Satellite Accounts (TSA) established to remedy the situation by gauging the impact of tourism on the national economy, measure the true size and value of tourism.

# TSA

- ◆ The proportion of the nation's Gross Domestic Product attributed to tourism activities
- ◆ The size of the tourism industries relative to the other industry sectors in the economy
- ◆ The number of jobs generated by tourism activity
- ◆ The value of public and private sector investment related to tourism
- ◆ The value of the government income generated by tourism in the country



Sean Smith  
Statistical Specialist  
Caribbean Tourism Organization  
One Financial Place  
Collymore Rock  
St. Michael, BB 11115  
BARBADOS  
Tele: 246 427 5242  
Fax: 246 429 3065  
email: [ssmith@caribtourism.com](mailto:ssmith@caribtourism.com)  
website: [www.onecaribbean.org](http://www.onecaribbean.org)  
visit: [www.caribbeantravel.com](http://www.caribbeantravel.com)

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