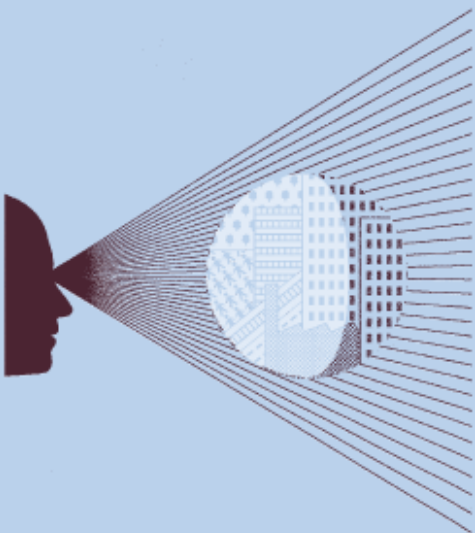


# Tourism in Jersey

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## Note on definitions

In this report the following definitions have been used.

- Visitor—someone who is not resident in Jersey who visits the Island.
- Business visitor—a visitor who is visiting Jersey primarily for business purposes.
- Tourist—a visitor who is visiting Jersey primarily for leisure purposes. In some charts tourists to Jersey have been categorised into the following sub-groups:
  - leisure visitor—includes staying leisure visitors (SLVs) and day-trippers, as defined in the Visitor exit survey;
  - visiting friends and family (relatives);
  - other—visiting yachtsmen, language students, and other visitors as defined in the Visitor exit survey.
- Tourism—activities undertaken to meet the demand of tourists.



## Executive summary

The States of Jersey asked Oxera to address two distinct questions in relation to the tourism sector of the economy. The first related to assessing the full value of tourism to the Island, capturing all the ways in which tourism contributes to the Island's economy, in particular, those that are not included within a conventional analysis of gross value added (GVA). The second related to assessing the impact of destination TV advertising on the demand from tourists into the Jersey economy, particularly in relation to any short-run impacts. The objective of this report is to provide a robust analysis that can feed into the development of a government policy in relation to inbound tourism to Jersey.

### **The value of the tourism (sections 1 and 2)**

The conventional measures of the impact of tourism use the output of certain sectors of the economy as a proxy. This approach simplifies the rather complex economic links across any economy that can create misleading results, for two reasons:

- a number of sectors are chosen to represent the output of the economy that is used to meet the demand from tourists. This misses out significant demand from tourists that is met by other sectors of the economy, while at the same time ignoring that some of the output of the chosen sectors is used to satisfy the demands of residents or (in the case of Jersey) business visitors;
- there are aspects of the activities needed to meet tourism demand that are shared by other parts of the economy (and, more generally, the local community). A change in tourism demand would alter the nature and/or unit cost/price of these activities. Any benefits to the economy (and the community) arising from tourism demand in this way are largely hidden in the conventional analysis.

The conventional analysis tends to classify the tourism sector as being 'hotels, bars and restaurants'. Clearly, this simplification does not capture all the ways in which tourists actually spend their money, and pass their time on the Island, nor does it take into account that residents and business visitors will also be significant users of hotels, bars and restaurants. By tracking the expenditure of tourists (using information from the Visitor Expenditure Surveys) and combining this with information on the expenditure of residents from the Household Expenditure Survey, it is possible to get a better understanding of how tourists affect the Jersey economy, and their relative spending within different sectors when compared with residents and business visitors.

The analysis of expenditure suggests that for the category of accommodation and dining expenditure, leisure tourists represent just over 55% of all expenditure. Business visitors account for a further 10% of expenditure, with around 30% coming from residents and the remaining 5% from those visiting friends and relatives. (See Table 2.3 on page 6 in the main report.)

This study also identified that there are a number of activities in Jersey that are highly dependent on visitors, and which attract a large proportion of all visitors. For example, around 40–50% of visitors would appear to visit Jersey War tunnels, Durrell Wildlife Conservation Trust, Jersey Pearl and Jersey Pottery (See Table 2.4 on page 7.) Furthermore, for some of these attractions, leisure visitors represent a high proportion of all visitors—for example, leisure visitors represent around 85% of all visitors to the Durrell Wildlife Conservation Trust (see Table 2.5 on page 8.)

The economic activities associated with these types of activity and attraction will not be recorded against the category of 'hotels, bars and restaurants', and so will not automatically

be captured under conventional measures of the tourism sector in an economy. As a result, taking the category 'hotels, bars and restaurants' as being the tourism sector of the economy both underestimates the impact of tourists—because it fails to capture their impact on other parts of the economy—and overestimates the impact—by not taking into account the demand for hotels bars and restaurants by residents and non-leisure visitors to Jersey. Overall, however, in the case of Jersey, at the level of *total* economic impact, these two effects largely cancel out (see page 8).

Therefore, by considering GVA data in the context of the expenditure data analysis, the direct impact of tourists on Jersey's economy can be estimated. In round terms, this results in the following values (for 2010 unless otherwise stated):

- GVA: £125m or £1,400 per head of population, equivalent to ~3–4% of total GVA;
- in 1998 the output supported by tourism expenditure was approximately double the direct GVA contribution. Assuming that the relationship between GVA and output has remained stable, this would suggest that the total output supported by tourism expenditure would now be in the order of 6–7% of the total Jersey output;
- employment: ~11% of total employment (4,500–6,000, depending on the season);
- GST revenue: ~£6m, equivalent to ~13% of total GST;
- income tax revenues: ~£15m, equivalent to ~4% of income tax revenues

Furthermore, the Jersey economy is characterised by the presence of a very high value financial services sector. This can have the effect of reducing the apparent importance of other, highly visible, industries on the Island when considered on a relative (ie, percentage) basis within national statistics—in particular, GVA.

The second, and perhaps more important, way in which tourists can have a beneficial impact on the economy is where the tourist-related activity creates conditions that are conducive to the provision of other parts of the economy. In Jersey's case, if there are going to be important interactions here, they will be between the tourism-related activities and the provision of international financial services. There are some potentially important interactions, including the following:

- the transportation network linking Jersey to the UK and to Continental Europe;
- the general culture of the Island acting as a positive incentive for financial services suppliers setting up in Jersey and their ability to recruit the non-resident labour required;
- the Island being an attractive location for non-resident customers of the financial services sector to conduct their business.

With respect to the transportation infrastructure that connects Jersey to the UK and to Continental Europe, a significant part of the demand comes from tourists. Residents and other parts of the Jersey economy will therefore benefit from an increased density of the transport network—including more flights and to a greater number of destinations—in the presence of tourist demand than would otherwise occur. However, from analysing the impact of the past changes in the number of visitors to Jersey on the transport infrastructure, it appears that this interaction is quite marginal. In general, the decline in the number of visitors has not significantly reduced the connectivity of Jersey to either the UK or to Continental Europe. The fall in the number of flights over the past decade is minor (see Figure 2.2 on page 14), and while some routes have disappeared, others have been added.

One of the reasons why the interaction between the number of leisure visitors and Jersey's air transport network is subdued is because a substantial proportion of demand arises from

residents or business travel. Furthermore, the extent of shared use between tourists and business visitors or residents varies according to the specific transport route. For example, the routes that have seen less frequent flights have tended to be the links to regional UK airports, which are less important for business visitors. In terms of sea links, northbound (ie, to the UK) passenger ferry services are highly dependent on tourist demand (see Figure 2.7 on page 20) and are therefore vulnerable to a decline in leisure visitors. Should tourist demand fall, summer services on this route would also be likely to be less frequent. However, the effect of this on the rest of the Jersey economy is not expected to be significant.

From the perspective of the international financial services sector of the economy, the *crucial* links for service provision are the air routes to London and, to the extent that they exist, to other European financial centres. These links are not significantly dependent on tourist demand. Good connectivity with the UK more generally was also seen as beneficial, but not crucial, by the international financial services sector. Such connectivity was identified as adding to the attractiveness of Jersey as a place to live, and therefore helpful when recruiting non-locals. However, connectivity with the UK was considered to be only one of many factors that influence Jersey's attractiveness relative to other international financial centres.

Overall, therefore, although there are positive effects for the rest of the economy (and, more specifically, for residents) from the demand on the transport network from tourists, the general connectivity of Jersey to the UK and Europe is not heavily dependent on tourist numbers. The implication is that, should tourist numbers decline, the general connectivity of Jersey would not change significantly. With the possible exception of the frequency of northbound ferry services (in the summer), the demand from residents and other parts of the economy is likely to be sufficient such that the links that are important to them would be maintained. There would not appear to be any significant threshold effect whereby, with the continuation of current trends in the tourism sector, the transport network would suddenly reconfigure itself.

In relation to the softer impact of tourists, some activities in Jersey benefit substantially from tourist demand. As to be expected, these tend to be activities that cater mainly for tourist demand. However, to the extent that such activities can be quite diverse, their availability may have an important impact on the quality of life for residents on the Island. Such activities include certain cultural and commercial attractions, such as the heritage sites. Should tourist numbers decline, this may make some of these activities non-economically viable.

If the cultural and commercial attractions were to disappear from Jersey, the impact on the international financial services sector of the Jersey economy would be minimal. In general, such activities were not important factors in the location decisions of either the international financial services providers or their transient staff (as reported by the human resources function). As described above, it is possible that a decline in these activities would be felt by residents who would lose access to these facilities. There is also a concern—in particular, in regard to the heritage sites—that these activities may have an important effect on the general culture of the Island. While, again, this type of culture did not feature highly in the location decisions of the financial services sector, it may be of more importance to residents.

Overall, therefore, although there are some interactions between the tourist parts of the economy and the wider Jersey economy, these are not so important as to frame tourism policy. Changes in tourist numbers will not have a substantial effect on the rest of the economy. Therefore, tourism policy on the Island should predominately be driven by objectives that arise from that sector, or from the overall objectives for the economy as a whole (eg, diversification of the economy, specific employment opportunities for residents) rather than any specific interaction with other parts of the economy. Where there are specific implications of a further decline in tourist numbers (eg, in relation to heritage sites, frequency of northbound passenger ferries), it would be important to evaluate the costs and benefits of specific intervention to safeguard these if they are important to residents, against a more general intervention to maintain tourist numbers to achieve the same objective.

### **Impact of destination advertising (section 3)**

The States of Jersey has undertaken destination advertising to promote Jersey as a tourist destination for a considerable length of time. To understand better the impact of such advertising on the number of visitors actually coming to Jersey, a statistical analysis was undertaken to ascertain whether there was a link between the advertising events and subsequent changes in the visitor numbers.

Analysis of this sort presents difficulties as the number of visitors will vary as a result of many factors, only one of which is the nature and intensity of the destination advertising. However, measures and specific events can be used to seek to isolate the specific impact of the destination advertising from these other factors. In particular, there is one recent advertising event in 2010 where the pattern of TV advertising was significantly different from previous years, and for which it should be possible to identify whether such advertising has a noticeable, short-term, impact on visitor numbers.

Although the analysis undertaken cannot provide definitive proof, the general patterns of enquiries suggest that TV advertising does tend to boost both immediate and more persistent interest in Jersey. There would also seem to be an effect that TV advertising (at least if undertaken in the early part of the year) can increase the forward bookings of hotel accommodation for that season (see Figure 3.10, page 38). In addition, both TV advertising and Internet presence are seen as increasingly important for those who visit Jersey in terms of what influenced them to make that decision (see Table 3.1, page 40).

What is much less clear-cut is the impact of TV advertising on short-term bookings—that is, bookings for the weeks just after TV advertising is undertaken.

If there were a significant short-term impact on immediate bookings, the number of visitors to Jersey would be expected to be higher than in periods when the advertisements were not undertaken. The burst of TV advertising undertaken in July 2010 has provided a natural experiment which can be used to test this impact, and the results of this analysis are described below.

An analysis of the pattern of passenger numbers does not show any significant change in the pattern in 2010 due to the TV burst in July compared with 2009. Although air passenger numbers were affected by the ash cloud in April 2010, and there was no TV advertising in the early part of the year (which there was in 2009), passenger numbers were not generally depressed in the early part of the year. In the summer months, air passenger numbers do increase compared with 2009, but the increase starts before the burst of TV advertising. For ferry passengers, the numbers were lower in May, June and July, and did pick up slightly to return in August to November to around the 2009 numbers. Given the normal fluctuations in demand, it would be hard to conclude just on this evidence that the TV advertising had a short-term impact (see Figures 3.23 and 3.24 on page 51.)

In addition to changes in passenger numbers, if the TV advertising is having an impact on staying visitors, this should also manifest itself in the hotel bookings. Recollections of bookings in 2010 from individual hoteliers are that, following the advertising, bookings increased immediately, and the burst of TV advertising had both an immediate and longer-lasting impact. However, analysis of data on total bed bookings and occupancy rates across Jersey does not provide conclusive evidence of such a strong impact.

At an aggregate level, bookings did rise in July and August in 2010 compared with those made for May and June, but this pattern was also observed in 2009, when a very different advertising schedule was pursued (see Figure 3.18 on page 47). In addition, although the number of beds sold in 2010 is running below that of 2009 in the earlier part of the year, the improvement in sales compared with the previous year starts before the TV advertising took place. This raises the question of whether bookings for July and August 2010 would have increased with or without the TV advertising. Analysis of data on bookings at a sub-set of Jersey hotels shows a more significant improvement in summer occupancy rates, although



the rise begins before the TV advertising in July (and follows the pattern of the passenger numbers). In addition, by September the occupancy rate had fallen back to 2009 levels. This suggests that even if there is a short-term impact on bookings, this timing of TV advertising does not have strong medium-term effects (see Figure 3.26 on page 53).

For a sub-set of hotels, yield data for 2009 and 2010 is also available. Yields in 2010 do improve compared with 2009, but as with bookings, the improvement starts before the TV advertising (see Figure 3.27 on page 54), suggesting that the TV advertising was not the only driving factor. However, the peak in yields in summer 2010 is stronger than in 2009, and the improvement over 2009 does persist into the autumn months. This pattern is consistent with there being some short- and medium-term impact from the TV advertising in July.

Lastly, the pattern of increasing numbers of visitors in 2010 compared with 2009 is mirrored in the number of outbound UK visitors to all destinations. In 2010, UK residents' visits (for all reasons, business and leisure) to the EU15 were below the 2009 levels until June, and then picked up to 2009 levels in July and August, before falling back below 2009 levels in September. In relation to just holiday visits by UK residents to all destinations (ie, excluding business and visiting friends and relatives), the first two quarters in 2010 were below 2009 levels (~10% down) before picking up in the third quarter (~1% down) and fourth quarter (~3% down). Some of the upturn experienced in Jersey may therefore be a reflection of the general trend of outbound UK visitors rather than a specific response to Jersey TV advertising.

It is difficult to isolate the impact of specific events, such as TV advertising, on the volume and value of tourist bookings as there are many other factors that can also have an effect. As a result, both the expert perceptions of the impact of advertising and the visible impact on the data (where such data is available) need to be taken into account. As set out above, because the improvement in the bookings for summer 2010 started before the TV advertising, the full effect cannot be solely due to the July burst of advertising. Indeed, the initial growth in visitor interest and numbers in May and June cannot be accounted for by the TV advertising, which had not yet been aired. This is not to say that the TV advertising was not an important factor to tourism in Jersey in summer 2010. Given the recollections of individual hoteliers, it is likely that TV advertising played an important role in maintaining visitor numbers throughout the later summer months, and may have been a key explanation for Jersey avoiding the sharper fall-off in visits from the UK in September experienced by the EU15.

### **Implications**

To a large extent, and within reasonable boundaries, the development of the Jersey tourism market can be driven by its own internal logic and economics. There are some limited knock-on effects of changes in the total number of leisure visitors on the rest of the economy, particularly in relation to attractions (including heritage) whose economic viability is highly dependent on visitors as customers. Overall, however, there is considerable freedom to develop the industry independently of concerns about the impact on the transport infrastructure or the attractiveness of the Island as a location for undertaking other, non-tourism-related, business. This gives the tourism sector considerable freedom to develop in ways which address the demand and supply conditions that the Island faces.

The relative stabilisation of UK visitor numbers as a proportion of UK outbound tourism since 2004 and the relatively encouraging performance in the current economic downturn suggest that strategies are available that can tap into the evolving demand conditions in the UK (and elsewhere). It is this aspect of tourism policy that would seem to have the best chance of success going forward, although this kind of analysis is outside the scope of this report.



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# 1 Value of tourism in Jersey

As is typical of many islands, much of Jersey's economy is export-oriented, with the principal source of demand for many of the goods and services of Jersey businesses coming from overseas residents, either as visitors to the Island or as customers purchasing services remotely. For some businesses, it is to be expected that overseas residents are an important source of demand. This is the case, for example, for businesses providing accommodation on the Island, transport to the Island, or entertainment on the Island. However, given the high ratio of visitors to residents in Jersey, the full influence of tourism can be much more widespread than creating demand for just these selected types of business. In 2010, there were around 330,000 staying leisure visitors (SLVs) in Jersey compared with a resident population of around 90,000 (ie, nearly four SLVs for every resident), while in the UK there were around 20m staying leisure overseas visitors compared with a resident population of around 62m (ie, one visitor for every three residents).<sup>1</sup> Even after taking account of domestic tourism within the UK, the visibility of tourism and its impact on the local economy is likely to be more pronounced in Jersey than in the UK.<sup>2</sup>

Despite the high visibility and (relative) volume of tourism on Jersey, the *economic* influence of tourism is reduced by Jersey's position as a centre for international financial services. In terms of standard economic measures (eg, gross value added (GVA), employment, tax-take), there is no comparison between the impact of the financial services sector in Jersey on the economy and that of any other type of business in Jersey, including businesses involved in tourism. For example, in 2009, the financial services sector contributed 43% of Jersey's total GVA, more than the combined contribution across hotels, bars and restaurants and businesses in the construction, wholesale, retail, agriculture and fishing sectors. Reflecting the relatively high GVA per employee, the impact of the financial sector in terms of the number employed is not quite so significant, accounting for around 24% of total employment in 2009, compared with around 10% employed within hotels, bars and restaurants.<sup>3</sup>

Such economic measures of contribution tend to be skewed towards observable financial output, which, especially in island economies, may reflect only a proportion of the benefits that different business activities (commercial and non-commercial) bring to an economy. Indeed, diversity of activity itself can be more valuable in an island context than over a similar geographic land space in a larger economy. For example, in larger economies, such as the UK, residents can travel further more quickly and more easily than island residents can, and as such can still benefit from diversity even if it is more dispersed. This means that the negative consequences of regional specialisation are generally much smaller for larger economies. From a resident's perspective, for example, diversity of business can be desirable since it can increase the range of goods and services available, as well as the variety of employment opportunities. Therefore, businesses and organisations that primarily address tourist or visitor demand (and, therefore, increase the attractiveness of Jersey as a tourist destination) can be particularly valuable to residents, who can enjoy access to these services that might otherwise not be on offer.

<sup>1</sup> VisitBritain, quarterly visitor data, available at: <http://www.visitbritain.org/insightsandstatistics/inboundvisitorstatistics/latestdata/index.aspx>. Jersey Tourism, 'Statistics December 2010', available via the Jersey Tourism website: [http://www.jersey.com/business/Monthly%20Data%202010/12\\_December\\_2010.pdf](http://www.jersey.com/business/Monthly%20Data%202010/12_December_2010.pdf)

<sup>2</sup> Visit Britain estimates that around 84m SLV trips were made within the UK in 2009. See [http://www.visitbritain.org/Images/UK%20Tourist%202009\\_tcm139-191452.pdf](http://www.visitbritain.org/Images/UK%20Tourist%202009_tcm139-191452.pdf). Combining this number with the 20m staying leisure visitors to the UK produces a total of around 100m such visits, or fewer than two per head of population.

<sup>3</sup> States of Jersey Statistics Unit (2010), 'Jersey Economic Trends 2010', December.

In addition to increasing the diversity of Jersey's activities and produce, businesses in the Island that rely predominately on demand from leisure visitors can provide valuable services to other parts of the Jersey economy. An example of such shared use is the transport infrastructure, which is used jointly by business visitors, residents of Jersey in their business role, residents in leisure mode, and by leisure visitors. As well as the actual use of such infrastructure, there can be distinct additional benefits from its availability. For example, businesses on Jersey (especially those in the financial services sector) find that the ability to travel to and from London in a day can be an important selling point to potential financial services customers and off-Island recruits. In particular, when recruiting necessary skills from off-Island, the positive spillovers from the visitor economy extend from the transport infrastructure to the broader set of tourist facilities, such as heritage sites and the maintenance of the Island's natural beauty.

To paint a comprehensive picture of tourism in Jersey today, section 2.1 considers the standard economic measures used to quantify the contribution from businesses meeting tourist demand, and the links with the wider Jersey economy. Section 2.2 looks at the wider links between the tourism part of the economy and the rest of the economy (and in particular the financial services sector) and section 2.3 examines the potential implications of a continued decline in the tourist numbers.

Section 3 goes on to examine the impact of destination advertising on the tourism sector.

## 2 Measuring the impact of tourism on Jersey

### 2.1 Standard economic measures of the value of tourism

The sectors of an economy can be defined from the supply side or the demand side. The supply-side approach groups together businesses and organisations that produce similar outputs—eg, hotels, bars and restaurants are commonly grouped together in national statistics, for example by the UK Office for National Statistics (ONS). The demand-side approach segments an economy's output according to its final use—eg, whether it is exported, purchased domestically by residents, visitors or government, or invested in increasing the capital stock. In defining the tourist sector, the latter approach is more appropriate, although there is much less data available for this approach.

#### 2.1.1 Breakdown of Jersey output by use

The produce of any sector of an economy can be used in a number of ways. When used as an input by other businesses, demand is referred to as 'intermediate demand'. For example, approximately 12% of Jersey's agricultural and fishing gross output is used as an input to Jersey hotels, bars and catering businesses.<sup>4</sup> As in most economies, the more prevalent use of a sector's output in Jersey is as 'final demand'. Final demand is broken down into consumption, investment (increasing the capital stock of the economy) and exportation. Consumption can then be further split into consumption by residents, by government, or by non-residents—tourists and other visitors.

Examining the total value of consumption by tourists across the whole of the Jersey economy is a useful and direct way of assessing the contribution of tourists to Jersey. By considering demand across all sectors, the analysis avoids the inaccuracies of omitting businesses that may predominately serve other types of consumer, but which are also used by tourists—eg, on-Island public transport. This approach can also more accurately reflect the extent to which businesses serving tourist demands also benefit from other sources of demand. As data that identifies the breakdown of the output from and inputs to a business is expensive to provide (and collect), it tends not to be updated frequently. For Jersey, the latest full Input–Output model is based on a survey of Jersey businesses undertaken in 1998. The model provides a detailed breakdown of the gross output and inputs for 25 types of business in Jersey, and therefore provides a clear picture of the financial links in the economy.

The Jersey economy has not stood still since 1998, however. The number of SLVs in 2010 was 60% of that in 1998, and in terms of accommodation available, the number of guest houses and hotels in 2010 was about half the number in 1998 (by both number of establishments and bed spaces).<sup>5</sup> However, to assess direct expenditure by visitors to Jersey, there is sufficient data available from the more recent visitor surveys (2003, 2007) and household survey (2005).<sup>6</sup> This is because, in contrast to some other sectors whose output is used in various ways, the alternative use for the output from businesses whose visitor demand is substantial is limited to consumption by residents. The nature of much consumption by visitors—accommodation, entertainment, leisure, restaurant dining or local transport services—means that it cannot be invested or exported, but must instead be consumed immediately, and therefore either by visitors or residents.

<sup>4</sup> 1998 Input–Output model for the Jersey economy.

<sup>5</sup> Data provided to Oxera by Jersey Tourism.

<sup>6</sup> Jersey Tourism provided to Oxera the results from the 2007 and 2003 visitor expenditure survey. States of Jersey (2005), 'Report on the Jersey household expenditure survey 2004/05'.

Table 2.1, which presents a breakdown of visitor expenditure based on the 2007 visitor survey, shows that, in 2007, total expenditure by visitors *in* Jersey amounted to £233m, the majority of which (71%) was spent on accommodation and dining out. The estimate of total expenditure by all visitors in 2010 is very comparable to the level of expenditure observed in 2007, at £230m, but there has been a more significant decline in the contribution from leisure visitors. This has fallen by £11m to £154m, or 67% of total visitor expenditure.

**Table 2.1 Breakdown of visitor expenditure on Jersey in 2007**

	Total expenditure (£'000)	Leisure visitors (%) <sup>1</sup>	Visiting friends/relatives (%)	Business visitors (%) <sup>2</sup>	Other visitors (%) <sup>3</sup>
Accommodation (including meals at accommodation)	120,800	78%	0%	15%	7%
Transport on Island	15,500	62%	11%	19%	7%
Entertainment and leisure	8,700	79%	13%	2%	6%
Dining out	45,300	61%	21%	11%	7%
Retail—drinks (not bought on boat/aircraft)	800	67%	11%	11%	11%
Retail—tobacco (not bought on boat/aircraft)	700	43%	29%	14%	14%
Retail—other	33,300	64%	20%	7%	9%
Retail—airside spend	7,700	51%	16%	27%	6%
<b>Total</b>	<b>232,800</b>	<b>71%</b>	<b>9%</b>	<b>13%</b>	<b>7%</b>

Note: <sup>1</sup> Includes day-trippers and SLVs. <sup>2</sup> Includes conference delegates and other business visitors. <sup>3</sup> Includes yachtsmen and overseas students.

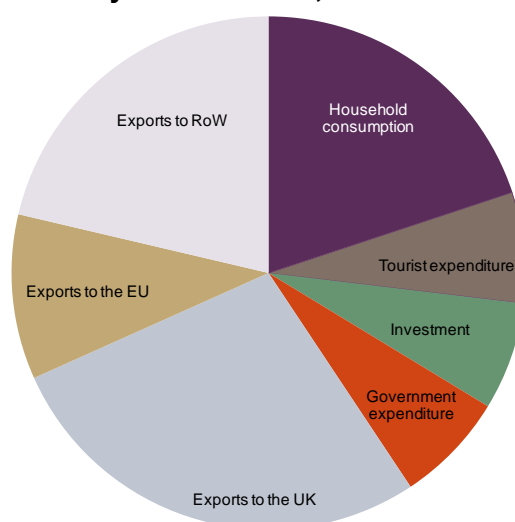
Source: Visitor expenditure data provided by Jersey Tourism.

A large component of visitor expenditure (not presented in Table 2.1) covers transport to Jersey. Such expenditure cannot be considered a full part of Jersey's output because the airlines and ferry companies are not domiciled locally, and therefore much of the revenue generated from operating transport links to Jersey does not accrue to local businesses. However, as these businesses do generate local employment and purchase on-island services (eg, landing services at the airport), some of the visitors' expenditure on these transport links will find its way into the local economy. In addition, this does not mean that the usage of transport links to Jersey by visitors, including tourists, may not be important in their own right. Indeed, tourist expenditure and demand can be of substantial significance when determining the frequency of services, particularly along certain routes, and such routes very often also serve resident population (both business and otherwise). In this context, the reliance on tourist demand for particular transport links, and the effect of this on the wider Jersey economy, is considered in depth in section 2.3.

To understand the importance of tourism expenditure relative to other uses of output in the Jersey economy, it is useful to compare the total amount of visitor expenditure with the total value of final demand in the same year. It is not appropriate to compare visitor expenditure to GVA because expenditure measures capture the cost of inputs, which are excluded from GVA measures, which capture the value of profits and earnings only. The most recent data on total final demand in the Jersey economy dates from 1998, as illustrated in Figure 2.1 below and detailed in Table 2.2. Across the whole Jersey economy, visitor expenditure supported 8% of Jersey output in 1998, which is comparable to the level of investment and government expenditure and represents about 20–25% of the amount spent on consumption on the Island.



**Figure 2.1 Breakdown of Jersey final demand, 1998**



Source: 1998 Input–Output model for the Jersey economy.

**Table 2.2 Breakdown of gross output in Jersey, 1998**

Sectors of the Jersey economy	Proportion of gross output consumed by visitors:		
	Directly	indirectly	in total
Agriculture & Fishing	0%	9%	9%
Hotels, Restaurants & Catering	66%	0%	66%
Quarrying & Construction <sup>1</sup>	0%	2%	2%
Manufacturing	5%	3%	7%
Electricity	0%	8%	8%
Water	0%	6%	6%
Gas, Oil & Fuel Distribution	3%	7%	10%
Jersey Telecommunications	0%	4%	4%
Wholesale & Retail Trade	10%	0%	10%
Land Transport <sup>2</sup>	42%	1%	43%
Sea & Air Transport & Transport Support <sup>3</sup>	1%	2%	3%
Post	1%	9%	10%
Other Services Activities	1%	4%	5%
Recreation, Culture & Sport	9%	0%	9%
Computer Services	0%	3%	3%
Other Business Activities	0%	6%	6%
Banks & Building Societies	0%	1%	1%
Insurance Companies	0%	3%	3%
Investment Trusts & Fund Managers	0%	0%	0%
Legal Activities	0%	7%	7%
Accountancy	0%	1%	1%
Education	0%	0%	0%
Health, Social Work & Housing	0%	0%	0%
Public Services	0%	0%	0%
Public Administration & Defence	0%	0%	0%
<b>Across all sectors</b>	<b>6%</b>	<b>2%</b>	<b>8%</b>

Notes: <sup>1</sup> Since 1998 there has been substantial redevelopment of visitor accommodation on the Island, so these figures may not be representative of the recent breakdown of construction output in Jersey. <sup>2</sup> Since 1998 the hire car industry has declined, so these figures may not be representative of the recent breakdown of land transport usage in Jersey. <sup>3</sup> As the table considers only the proportion of gross output produced in Jersey that is consumed by tourists, these figures do not include the share of total expenditure by tourists on ferries or airlines connecting to Jersey, which is higher than 1–3%.

Source: 1998 Input–Output model for the Jersey economy.

## 2.1.2 Breakdown of demand for certain Jersey businesses

As shown in Tables 2.1 (above) and 2.3 (below), visitor expenditure is highly concentrated on certain activities. This implies that certain businesses are more reliant on visitors than others, and will therefore be more vulnerable to a continued decline in visitor numbers. To a certain degree, comparing the categories of spend from the visitor expenditure survey with the household expenditure survey enables these more vulnerable businesses to be identified. However, since these categories are quite broad (partly to allow comparability between the heads of spend in the different surveys), it is likely that there will still be considerable diversity in some groups in terms of their reliance on visitors. For example, since many tourists buy at least some meals as part of their accommodation package, and residents also use hotel restaurant dining facilities, it is not possible to consider the split between residents and visitors for hotel dining independently from other hotel revenue.

The results of comparing the household and visitor expenditure surveys, presented in Table 2.3, show that the types of business most reliant on leisure visitors are hotels and other accommodation providers. The table also highlights that public transport might be another area receiving substantial revenue from tourists, a message that can be seen in Table 2.2 as well. A precise conclusion regarding public transport cannot be drawn since the visitor expenditure survey captures spending on all Island transport, and does not distinguish, for example, between spending on hire cars (which would not be used by residents) and taxis and that on bus fares. However, a continued decline in the number of visitors is likely to result in fewer additional summer services as there will be less total demand (or continuing with the same level of services may require higher subsidy.)

Table 2.3 also shows the extent to which residents and business visitors use the same goods and services as leisure visitors. Data on demand from resident business users is not available for the categories presented in Table 2.3, but, with the exception of dining out, this is unlikely to be significant. Depending on the nature of how the good/service is produced, a continued decline in tourist demand might affect the availability of the good/service for other users. For example, it may not be financially viable for hotels to remain open, and capacity may leave the Island. Similarly, if tourist demand drops, the government may find itself either increasing financial support to public transport or cutting services. The potential implications of a continued decline in tourism are considered in more detail in section 2.4.

**Table 2.3 Breakdown of domestic consumption for particular services on Jersey**

	Total expenditure (2010 prices, £'000)	Leisure visitors	Business visitors	Visiting friends/ relatives	Residents
Accommodation and dining at accommodation <sup>1</sup>	159,000	72%	13%	–	15%
Accommodation and all dining <sup>2</sup>	266,000	56%	10%	4%	30%
On-Island (public) transport <sup>3</sup>	20,000	53%	15%	9%	23%

Notes: To ensure comparability between the 2005 household expenditure and 2007 visitor expenditure surveys, adjustments have been made to account for inflation and changes in the number of Jersey households and visitors to Jersey. The data presented reflects the number of visitors and households in Jersey in 2010.

<sup>1</sup> Includes spend attributed in the visitor expenditure survey to accommodation (which includes all meals purchased in the hotel), and for residents, spend on restaurants and accommodation from the household expenditure survey. <sup>2</sup> Includes spend attributed in the 2007 visitor expenditure survey to accommodation and dining out; and for residents: spend on restaurants, cafes, bars and accommodation from the household expenditure survey. <sup>3</sup> Based on the estimated transport on-Island spend from the visitor expenditure survey, and includes buses, taxis and hire cars, but excludes an estimate of expenditure on petrol. Resident expenditure includes spend on bus fares and taxi fares and is from the 2005 household expenditure survey.

Source: Jersey Tourism provided to Oxera the results from the 2007 visitor expenditure survey; States of Jersey (2005), 'Report on the Jersey household expenditure survey 2004/05'.

Table 2.4 presents the list of attractions used in the 2008 summer visitor survey, and the proportion of SLVs who reported visiting them.<sup>7</sup> Before considering each attraction's reliance on tourist as opposed to resident demand, it is important to note the number of attractions available. In studies for Jersey Heritage, BDO and Opinion Leader Research both note that, given the size of the resident and visitor markets, the number of attractions can be considered high. BDO draws a comparison with Brighton, which has a population of around 300,000 (more than triple that of Jersey) and a tourist market (day and stay visitors) of around 8m (ten times that of Jersey), but fewer attractions.<sup>8</sup>

**Table 2.4 Visits to Jersey attractions by leisure visitors**

Attraction	Visitors (numbers and %)		Attraction	Visitors (numbers and %)	
Jersey War Tunnels	169,000	47%	Catherine Best Jewellery	43,000	12%
Jersey Pearl	159,000	44%	Samarès Manor	41,000	11%
Jersey Pottery	150,000	41%	Maritime Museum	38,000	10%
Durrell Wildlife Conservation Trust	146,000	40%	Bouchet Agateway Pottery	30,000	8%
Jersey Goldsmiths (Lion Park)	122,000	34%	Eric Young Orchid Foundation	22,000	6%
Mont Orgueil (Gorey) Castle	92,000	25%	Sand Wizard in St Ouen	21,000	6%
Living Legend	90,000	25%	aMaizin! Maze and Adventure Park	21,000	6%
CI Military Museum	82,000	23%	Pallot Steam and Motor Museum	20,000	6%
Elizabeth Castle	74,000	21%	La Hougue Bie Museum	20,000	6%
Jersey Museum in St Helier	62,000	17%	Hamptonne Country Life Museum	18,000	5%
Jersey Lavender Farm	54,000	15%	Aqua Splash Leisure Pool	17,000	5%
The Shell Garden	53,000	15%	Treasures of the Earth	17,000	5%
La Mare Wine Estate	43,000	12%	Battle of Flowers Museum	16,000	4%

Note: Jersey Tourism makes the following comments regarding the data presented in this table: 'The structure of the sample should be borne in mind with regard to this question. Those who stayed for a longer duration in Jersey, as well as more elderly visitors, are more likely to complete the questionnaire. This will have an impact on the attractions visited. Some attractions aren't open all year round, and some are more or less likely to be visited depending on the season and the weather.' Summer Visitor Survey 2008, p. 36.

Source: Jersey Tourism (2008), '2008 Summer Visitor Survey', available via the Jersey Tourism website.

Several attractions were able to provide data on visitor types and revenue sources, and the visitor breakdown by number is presented in Table 2.5 below. This illustrates considerable diversity in the proportion of overseas visitors relative to resident visitors, and since admissions are the principal source of revenue for most of the listed attractions, this has implications for the commercial viability of the different attractions (on a stand-alone basis) should the number of tourists (or the length of trips) to Jersey continue to decline.

Some attractions have begun to offer membership arrangements, creating an additional source of commercial revenue that is more robust to changes in the number of tourists to Jersey. In addition, some have made cost savings by reducing opening times/periods and/or have applied for government support in the form of grants. As illustrated in Table 2.5 below,

<sup>7</sup> Jersey Tourism (2008), '2008 Summer Visitor Survey', available via the Jersey Tourism website.

<sup>8</sup> Economic Development Department (2010), 'Jersey Heritage Trust: High level review of operational performance', February, prepared by Locum Consulting.

many of these attractions are enjoyed by Jersey residents, and therefore the reduction in opening hours may have a negative impact on the residents.

**Table 2.5 Breakdown of visitors for certain attractions, by number of visitors**

	Year(s)	Resident (%)	Overseas (%)
Elizabeth Castle	2008–10 average	12%	88%
Durrell Wildlife	2006–07	15%	85%
Mont Orgueil Castle	2008–10 average	23%	77%
Jersey Museum	2008–10 average	28%	72%
aMaizin! adventure parks	2009	30%	70%
La Hougue Bie	2008–10 average	30%	70%
Maritime Museum	2008–10 average	35%	65%
Hamptonne	2008–10 average	56%	44%

Source: Data provided by each of the attractions.

### 2.1.3 Breakdown of Jersey GVA and employment

Data on GVA and employment in Jersey splits the economy on the supply side, rather than the demand side, and defines the following categories:

- Agriculture;
- Manufacturing;
- Electricity, gas and water;
- Construction;
- Wholesale and retail;
- Hotel, bars and restaurants;
- Transport, storage and communication;
- Financial intermediation;
- Other business activities;
- Public administration.

The ‘Hotel, bars and restaurants’ category is commonly used as a proxy for the whole tourist sector. However, this proxy is not perfect: by omitting certain types of business that also serve visitors, it can underestimate the contribution of tourism to the economy. In contrast, by not accounting for the residential demand for services from Jersey hotels, bars and restaurants, the proxy can overestimate the contribution from tourism. Despite these inaccuracies, the proxy remains indicative of, at least, the **current** contribution of the tourist sector to Jersey GVA and employment. This is because approximately 70–75% of on-island expenditure by visitors is on accommodation and dining (from the visitor expenditure data); similarly, approximately 75% of expenditure on hotels, restaurants and bars is by tourists (when assessed by comparing data from the visitor expenditure and household surveys, as shown in Table 2.1).

Table 2.6 below presents summary statistics on GVA, employment and earnings for this supply-side sector split. The GVA from hotel, bars and restaurants is comparable to the amount from agriculture, although employment by headcount is higher and more comparable to that of the construction industry. The higher proportion of Jersey employment compared with Jersey GVA, relative to other businesses (in particular, financial services businesses), indicates that value added accrues to labour as opposed to shareholders. Furthermore, given the relatively low wages in hotels, bars and restaurants, this value is spread across a relatively large number of employees (as opposed to a smaller number of highly paid workers), a substantial proportion of whom are classified as non-qualified employees (43% in

2010).<sup>9</sup> As a result, in the hotels, restaurants and bars sector of the economy the GVA per FTE is low (£22,000 in 2009, measured in 2003 money, compared with the average of the economy of £64,000), and is the lowest of all the sectors measured.<sup>10</sup>

**Table 2.6 Breakdown of Jersey GVA and employment by supply-side sector in 2009**

	GVA	Employment	Non-qualified employees <sup>1</sup>	Average earnings per week per FTE (2009 prices)
Agriculture	2%	4%	25%	£400
Manufacturing	1%	2%	11%	£580
Electricity, gas and water	1%	1%	6%	£700
Construction	6%	10%	9%	£600
Wholesale and retail	7%	15%	13%	£440
Hotel, bars and restaurants	3%	11%	43%	£350
Transport, storage and communication	5%	5%	4%	£730
Financial intermediation	43%	23%	9%	£850
Other business activities	23%	7%	15%	£520
Public administration <sup>2</sup>	8%	22%	9%	£810

Note: <sup>1</sup> The qualification is in relation to employment status, not housing. <sup>2</sup> The qualification status of employees in this sector relates specifically to employment in education, health and other services.

Source: States of Jersey Statistics Unit (2010), 'Jersey Economic Trends 2010'. Island analysis (2010), 'Market Intelligence for the Skills Jersey Board Hospitality Sector'.

In 2010, the Jersey Board Hospitality Sector commissioned research into employment in the hospitality sector (covering attractions as well as hotels, bars and restaurants).<sup>11</sup> It found the sector to be reliant on overseas workers, which it concluded was a reflection of Jersey residents' reluctance to work in hospitality. This reluctance was attributed by the researchers, Island Analysis, to the perception by some residents that such employment was 'not a proper career path to follow', partly owing to the seasonal issues and anti-social hours that such employment often imposes.

#### 2.1.4 Breakdown of Jersey tax revenue

Since the introduction of the goods and services tax (GST) in Jersey in 2008, tourists have been making a significant direct contribution to Jersey tax revenue. This supplements the impôt tax revenue collected against purchases of alcohol, fuel and tobacco, and the indirect contribution arising from the employee and company (or shareholder profit) tax revenue collected from businesses serving the visitor economy.

The proportion of GST and impôt tax revenue generated from visitor expenditure can be calculated by estimating the share of on-Island consumption arising from visitors rather than residents. This has been done for 2010 by comparing the total amount of visitor expenditure on Jersey to household expenditure (on Jersey) from the respective surveys—adjusting for the relative changes in the resident and visitor populations and inflation. The results are presented in Table 2.7 below and show that GST paid by visitors to Jersey accounted for approximately 18% of all GST revenue, and impôt tax paid by visitors to Jersey accounted for approximately 5% of all impôt tax revenue. The table also presents the breakdown of tax revenue by type of visitor.

<sup>9</sup> Island analysis (2010), 'Market Intelligence for the Skills Jersey Board Hospitality Sector'.

<sup>10</sup> States of Jersey Statistics Unit (2010), 'Jersey Economic Trends 2010', December. Table A2.

<sup>11</sup> Island analysis (2010), 'Market Intelligence for the Skills Jersey Board Hospitality Sector'.

In 2010, the GST rate was 3% and total revenue collected accounted for approximately 8% of the total net general tax revenue in Jersey.<sup>12</sup> Therefore, as a proportion of total net general tax revenue in 2010, visitor GST revenue made up approximately 1–1.5%. Regarding impôt taxes, this accounted for approximately 9% of total net general tax revenue, and therefore impôt tax paid by visitors made up approximately 0–0.5% of total net general tax revenue. The rise in the rate of GST to 5% will have increased the importance of this tax and, therefore, will have also increased the relative tax take from visitors.

**Table 2.7 Breakdown of GST and impôt revenue in 2010**

	Leisure visitors <sup>1</sup>	Visiting friends/relatives	Business visitors <sup>2</sup>	Other visitors	Residents
Contribution to GST revenue	13%	2%	2%	1%	82%
Contribution to impôt revenue	3%	1%	1%	0%	95%

Note: <sup>1</sup> Includes day-trippers and SLVs. <sup>2</sup> Includes conference delegates and other business visitors. GST rate of 5% has been assumed.

Source: Jersey Tourism provided to Oxera the results from the 2007 visitor expenditure survey; States of Jersey (2005), 'Report on the Jersey household expenditure survey 2004/05'; States of Jersey (2011), 'Jersey retail prices index', March; States of Jersey (2009), 'Jersey's resident population 2009', June.

The amount of employee and company income tax collected from each business that can be attributed to meeting visitor demand will be proportional to the share of output from the business that was consumed by visitors. This can be estimated directly from the 1998 Input–Output model, or by comparing visitor and household expenditure from the (more recent) expenditure surveys. Both approaches give comparable results (presented in Tables 2.1 and 2.2 above). Applying the share of output attributable to visitor demand to the known amount of employee and company tax paid by each type of business active in the Jersey economy provides a reliable estimate for the total amount of indirect taxation attributable to the visitor economy. Considering demand across all sectors avoids the inaccuracies of omitting businesses that may predominantly serve other types of consumer, but that are also used by tourists—eg, on-Island public transport. This approach also reflects more accurately the extent to which businesses serving tourists also benefit from other sources of demand.

The results of this analysis are presented in Table 2.8 below, and can be summarised as follows.

- As a proportion of tax paid by all employees, the amount attributable to visitors is approximately 4%. As a proportion of total net tax revenue, this is approximately 2%. This was slightly higher after the introduction of the 0/10 company tax regime, which diversified Jersey's tax base away from company taxes towards employee and sales taxes.
- As a proportion of tax paid by companies, the amount arising from visitor demand was approximately 4% before the introduction of 0/10, falling to 2% thereafter. This corresponds to 1.4% and 0.4% of total net tax revenue pre- and post-0/10. The reduction in revenue from tourists through lower company tax revenue may be a transitional effect—some of this revenue will be captured through the tax on dividends paid to Jersey resident shareholders.

Therefore, at an aggregate level, tourists contribute approximately 4–5% of total net tax revenue, through direct and indirect taxation.

<sup>12</sup> States of Jersey (2010), 'Financial Report and accounts 2010', Treasury and Resources Department.

**Table 2.8 Indirect taxation arising from the visitor economy before and after the introduction of the 0/10 regime**

	Before 0/10		After 0/10	
	Proportion of this type of tax	Proportion of total net tax revenue	Proportion of this type of tax	Proportion of total net tax revenue
Tax paid by salaries and wage earners <sup>1</sup>	4.2%	1.5%	4.2%	2.1%
Tax paid by companies <sup>2</sup>	4.3%	1.4%	2.4%	0.4%

Note: <sup>1</sup> Based on data on tax paid by employees in 2008, adjusted for inflation. <sup>2</sup> Based on data on tax paid by companies in 2008 adjusted for inflation, and the forecast for tax paid by companies after 0/10 in 2010. Source: Tax data was provided directly by the Economic Development Department.

In monetary terms, the 13% of GST raised through the direct spending of leisure visitors was around £6m and the 3% of impôts raised around £1.5m, totalling £7.5m.<sup>13</sup> Spread over the 335,000 SLVs in 2010 (see Table 2.10), this tax yield represents around £22.50 per leisure visitor.<sup>14</sup> While there will be variation in the tax yield depending on the precise expenditure by the relevant visitor, if additional visitors could be attracted to Jersey, and they had average expenditure patterns, this is the order of magnitude of additional tax revenue from GST and impôts that could be expected. If these visitors occur outside the peak period, they are less likely to displace any other activity, so this can be seen as a net increase in tax revenues.

The impact of additional visitors on the income tax paid by wage earners and companies is less clear-cut. The 4.2% of income tax paid by salaries and wage earners and the 2.4% of the tax paid by companies represents in total around £15m in 2010.<sup>15</sup> However, in the absence of visitors, the labour that is currently used in the tourism sector (or is supported by tourism spending) would be likely to find alternative employment, or, if that labour is imported (ie, not permanent residents), alternative labour could be imported to undertake other activities within the same total population. As a result, the net impact on income tax of a lower number of visitors could be less than is suggested by the £15m, or the net impact of additional visitors could be less if those additional visitors result in the displacement of labour somewhere else in the economy. In addition, if the additional visitors occur outside the peak, additional wages may not be paid (although there may be additional tips), although there is likely to be additional profits. The £15m of tax, or £44 per leisure visitor, represents an extreme upper boundary of the marginal impact on this tax yield.

## 2.2 Links with the wider Jersey economy

Many Jersey businesses whose principal custom comes from overseas visitors interconnect with other parts of the Jersey economy. These links can occur in three ways:

- on the demand side, whereby businesses induce demand for other businesses. For example, hotels, restaurants and bars are one source of demand for Jersey agricultural, fishing and construction outputs;
- through the States of Jersey Treasury tax revenue;
- on the supply side, whereby services and outputs principally produced for the benefit of visitors to Jersey are also used by other parts of the Jersey economy, either residents or businesses.

<sup>13</sup> States of Jersey, annual report and accounts, 2010, page 19, reports total net GST raised in 2010 as £44.2m and impôts £49.5m.

<sup>14</sup> This is an upper bound for staying leisure visitors, as some expenditure will be undertaken by day-trippers who are included in the tax yield numbers.

<sup>15</sup> Total income tax in 2010 was around £395m, of which around 22% came from companies and 78% from individuals. See States of Jersey (2010), 'Annual report and accounts', p. 19.

A snapshot of the links on the demand side, as well as the interaction through the States of Jersey Treasury, was presented in section 2.1. Secondary demand generated for other businesses, as captured in Table 2.2, was found to add (approximately) an extra 2% to the total demand arising from visitors to Jersey. The proportion of tax paid (directly or indirectly) by visitors currently totals about 4–5% of total tax revenue. Therefore, this section focuses on the aspect not yet considered: the joint use of services and output on Jersey, by visitors and other parts of the Jersey economy.

For the purposes of this study, a number of interviews were held with stakeholders from the hospitality and financial services sectors to identify the aspects of the 'visitor economy' that are of value to other parts of the Jersey economy. Of greatest importance to the financial services sector are the transport and accommodation infrastructure links; the exposure of these links to a continued decline in leisure visitor numbers is considered, first, in sections 2.2.1 and 2.2.2. Other aspects of value to the wider Jersey economy can be considered 'soft' features, such as contributing to the vibrancy of the Island and maintaining its natural beauty. These become more difficult to value in monetary terms, but can also be of considerable value to residents more generally, and are considered in section 2.2.3.

This section focuses on the current situation and does not consider how, in the longer term, the Jersey economy might adapt to a continued decline in leisure visitor numbers. For example, the extent to which labour is re-employed elsewhere in the economy will alter the overall impact on the economy's output, employment and tax-take. Some of these issues are discussed in section 2.3.

### **2.2.1 The importance of transport and accommodation infrastructure to the Jersey economy**

The availability of transport to Jersey is a prerequisite for tourists, but, as an island, transport links are fundamental to many aspects of Jersey's economy. For some industries, the importance of such links can be captured by considering the proportion of outputs (inputs) that is exported (imported). For example, in agriculture and fishing the importance of transport links is evident in the very high proportion of output that is exported to the UK and the rest of the world (approximately 95% according to the 1998 Input–Output model). For other sectors, however, such as financial services, the importance of such links can be more subtle than the physical export of output.

Given the dominance (at least in terms of GVA) of the financial services sector in the Jersey economy, this study has focused on the importance of transport infrastructure for this sector. Interviews were held with a wide range of businesses involved in the sector, including trusts, law firms, accountants, banks and recruitment consultants. In addition, a broad overview was provided with the assistance of Jersey Finance and related associations in Jersey.

These interviews identified that, in terms of remaining competitive as an international financial services centre, competitive tax rates are essential. Given Jersey's current position as an established financial centre, and, at times, the complexity of comparing taxes across different jurisdictions, there is some room for manoeuvre. However, it would be difficult for Jersey to maintain the level of financial services business activity should its tax system compare unfavourably to that of competitors such as Guernsey, Isle of Man and international finance centres further afield, such as the Cayman Islands.

Assuming comparable tax rates, other factors identified as important in maintaining Jersey's international competitiveness include:

- Jersey's political stability;
- its connectivity with other city centres; and
- its availability of suitable accommodation for (high-value) visiting clients.

Jersey's connectivity with other city centres, particularly the ability to commute to and from London in one day, was identified in all interviews as an important factor. This ability has enabled much more business activity to be undertaken in Jersey, in contrast to other, more



remote, international financial centres, such as the Cayman Islands.<sup>16</sup> The loss of the Heathrow and Paris air links was considered to be negative, although few businesses were aware of examples to illustrate any substantial negative effect. Nevertheless, the loss of such air links was expected to have increased internal costs since business trips to Europe could no longer be undertaken in a day, and often involved a two-night stay.

High connectivity lowers the costs for financial services businesses when maintaining existing relationships and attracting new business to the Island. In addition, the connectivity of Jersey can be important when attracting off-Island recruits. Such recruits might be from other offices of the same business—eg, managers may move across departments and jurisdictions to gain a better oversight of the overall operation of the business—or recruited directly into the Jersey business. Good connectivity with both the UK and France were identified as making Jersey a more attractive place to work. The connectivity to Europe was viewed as particularly attractive to recruits from other parts of the Commonwealth, who might be more inclined to travel more extensively around Europe while working in Jersey. That said, connectivity is only one of many factors important to potential recruits; other critical factors include:

- the job on offer;
- the cost and standard of accommodation available;
- the natural beauty, culture and atmosphere of the Island (of which tourist attractions can be part);
- the standard of education and healthcare available on the Island.

### **2.2.2 Developments in Jersey transport infrastructure**

Notwithstanding the reduction in leisure visitor numbers and in visitor nights over the last decade, at a general level there does not appear to have been any deterioration in Jersey's connectivity between 2001 and 2010, as shown below.

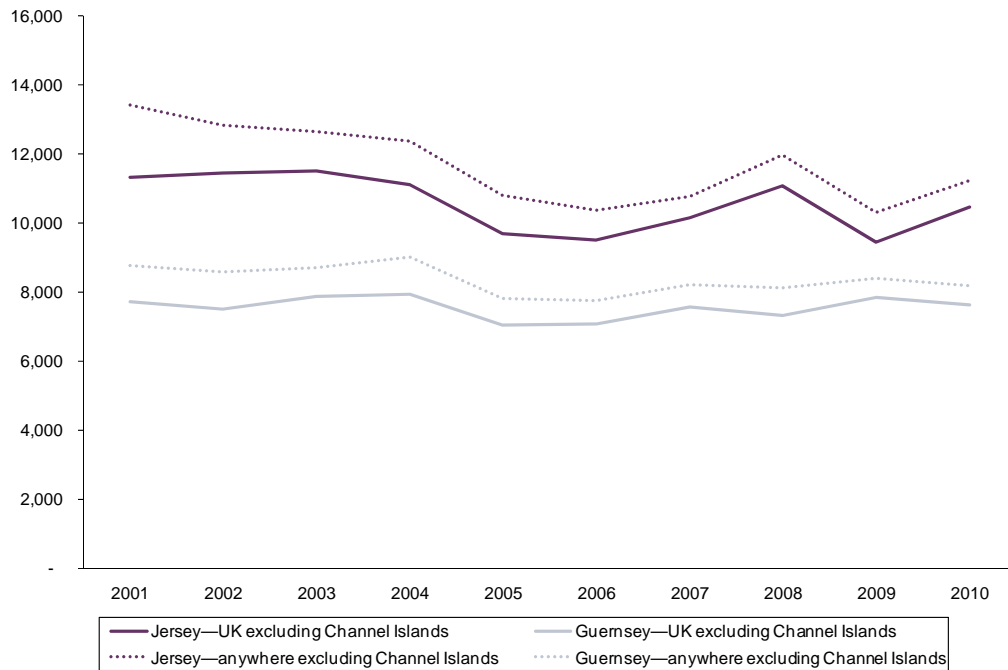
The total number of UK airports with at least some (commercial) direct flights to Jersey exceeded 30 in 2010: this is comparable to the number in 2001. Moreover since 2001, five key UK links—Gatwick, Southampton, Manchester, Exeter and Birmingham—have consistently provided a daily service to Jersey throughout the summer and winter months. Together, these air routes accounted for approximately 70% of 2010 passenger volumes to Jersey, and up to 85% of passenger volumes in some of the winter months.<sup>17</sup>

Figure 2.2 below considers how Jersey's connectivity in terms of total annual flights changed relative to Guernsey between 2001 and 2010.

<sup>16</sup> Although for the Cayman Islands connectivity to the USA and in particular New York is likely to be more important.

<sup>17</sup> CAA, Aviation statistics series, extracted for Oxera from the main database or available in the publicly available series, available at: <http://www.caa.co.uk/default.aspx?catid=80>

**Figure 2.2 Annual flights to Jersey and Guernsey, 2001–10**



Source: CAA, Aviation statistics series.

Figure 2.2 shows that while, in 2001, Jersey had around 50% more flights than Guernsey, there has been some convergence in the connectivity of the two islands during the period. This convergence reflects a slightly more pronounced decline in the number of flights from Jersey (both UK-bound and non-UK-bound) compared with Guernsey's experience.

For Jersey, the number of flights arriving from the UK (excluding inter-Island flights) was 16% lower in 2010 than in 2001, which is equivalent to a reduction from an average of 31 arrivals a day to 29 arrivals.<sup>18</sup> By comparison, Guernsey still has on average approximately 21 flights arriving each day.<sup>19</sup> For Jersey, the reduction in flights is most visible in terms of the London City Airport and Birmingham Airport links, with a decrease from up to four services a day to both airports in 2001, to four a week to London City and two a day to Birmingham in 2010.

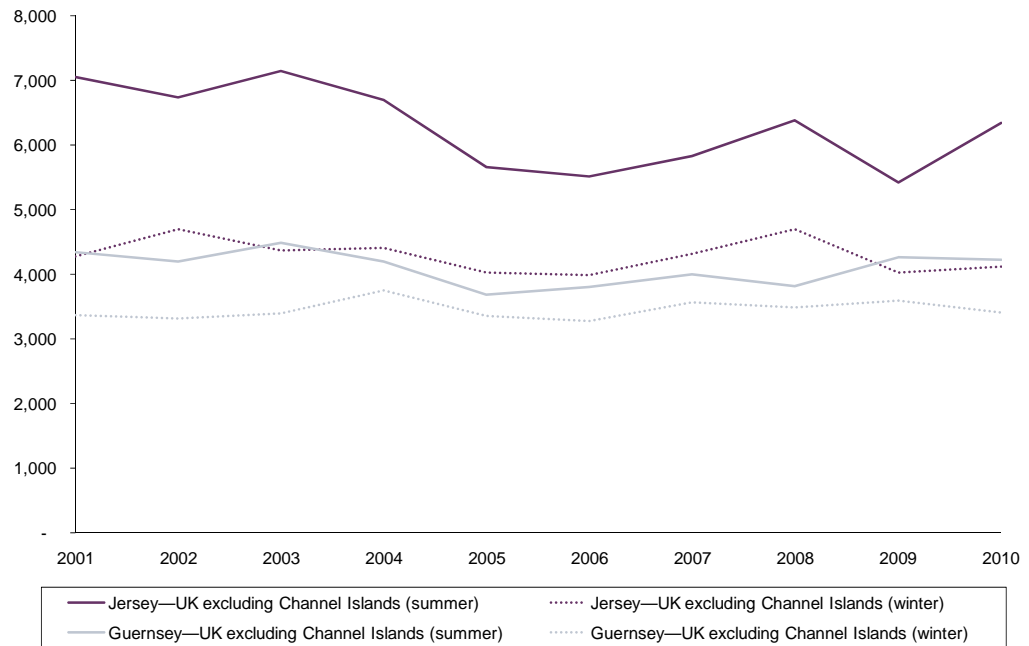
The reduction in non-UK-bound flights from Jersey reflects a reduction in the frequency of services rather than a loss of significant direct routes—the only lost foreign destination with significant volumes prior to closure was St Brieuc in France. This means that the impact on the Jersey economy (particularly the financial services sector) is unlikely to be significant since it is unlikely that the financial services sector relied on these services prior to their closure.

Figure 2.3 below compares Jersey's summer (April to September) and winter (January to March and October to December) UK connectivity between 2001 and 2010.

<sup>18</sup> Ibid. These are simple, year-round, averages for the number of daily flights, in order to help put the percentage changes in the context of absolute levels of connectivity. It does not take into account the seasonality of flights to the Channel Islands, which is considered in Figure 2.3 below.

<sup>19</sup> Ibid.

**Figure 2.3 Flights to Jersey and Guernsey in summer and winter months, 2001–10**



Source: CAA, Aviation statistics series.

Figure 2.3 shows a decline in the frequency of summer services. Airport-level data indicates that this reduction in aggregate summer connectivity to the UK reflects a reduction in direct flights to a number of regional UK airports, including Birmingham (where summer arrivals fell by 468 between 2001 and 2010), Exeter (a reduction of 548) and Leeds Bradford (a reduction of 383).

Figure 2.3 also shows substantial volatility in the frequency of services (both summer and winter) between 2001 and 2010. Between 2003 and 2005, summer services fell substantially (in both Jersey and Guernsey), recovering gradually before some sharp changes between 2008, 2009 and 2010 (in Jersey only). For Jersey, the annual volatility in aggregate flight frequency reflects changes in services to both regional and city routes—in particular, services to London City and Coventry. However, except for London City, where services in 2010 were minimal, the frequency of services in 2010 for the key business routes (Gatwick, Southampton and Manchester) are comparable to the levels in 2001. (For example the total number of flights arriving at each airport in 2010 relative to the number in 2001 was 126%, 115% and 92% respectively.)

Although there has been a reduction in the number of flights to Jersey, the decline in the number of air passengers has been smaller. Between 2001 and 2010 the total number of passengers declined by 6%, and even less than this if passengers to very low-frequency, small, regional airports are excluded. As a result the average number of passengers per flight has been rising, particularly for non-London, city routes such as Manchester, East Midlands, Leeds and Cardiff. Between 2001 and 2008, total passengers actually rose slightly, while the decline from 2008 to 2010 (around 10%) is similar to the decline in general UK domestic passengers as a whole.<sup>20</sup>

Passenger numbers on the main business routes (Gatwick, Manchester and Southampton) have either increased (Gatwick) or shown less of a decline over this period. London City has declined significantly, but this is likely to be as a result of the availability of an airline being

<sup>20</sup> Ibid.

able to accommodate Jersey in its route schedule, rather than changes to the underlying (business) demand for this service.<sup>21</sup>

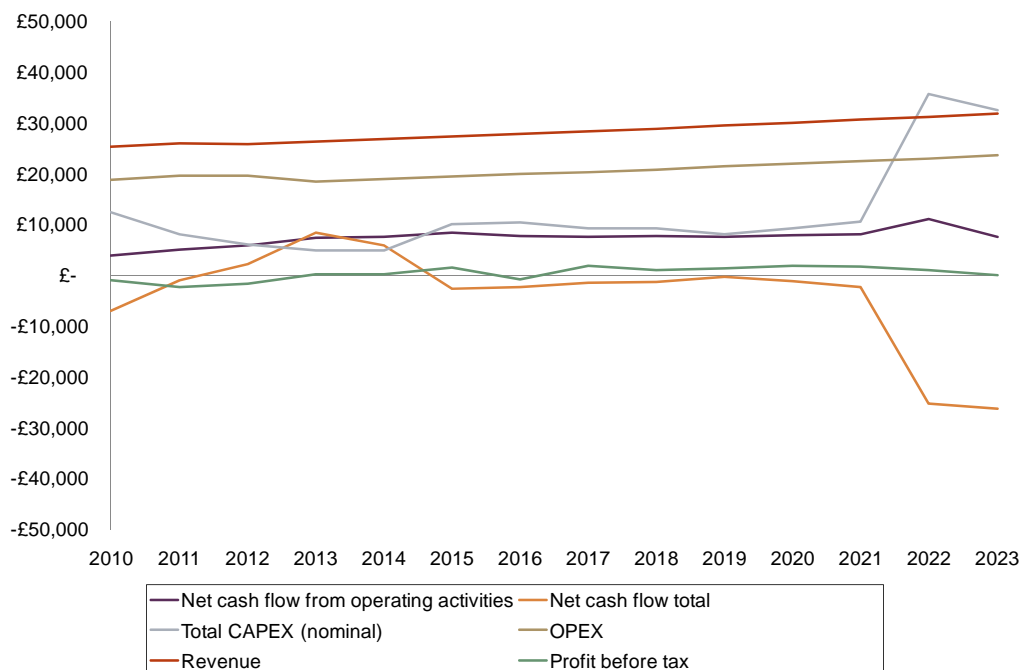
In general, therefore, the decline in the tourism numbers over the last decade has had a relatively minor impact on the provision of air transport links, and this impact has been largely confined to services to regional UK airports. The subsequent impact on the rest of the economy is therefore likely to be relatively minor. To the extent that it has an impact at all, this is likely to be confined to a reduction in the attractiveness of Jersey as a place to work through a reduction in the regional connectivity for those residents who wish to return to the UK for visits.

### Impact on Jersey Airport

Jersey Airport’s major income stream comes from aeronautical charges, which are highly dependent on passenger volumes. In comparison, a large proportion of the cost of running and maintaining Jersey Airport is independent of the number of passengers using the airport. This implies that the financial viability of the airport is vulnerable to a decline in passenger numbers.

Figure 2.4 presents Jersey Airport’s future financial position under its forecast base-case scenario of 1% annual growth in passenger volumes, and base-case assumptions on cost forecasts.

**Figure 2.4 Jersey Airport’s financial position under the base-case scenario, 2010–23 (£’000s)**



Note: Jersey Airport’s base-case scenario assumes passenger volumes grow at a constant rate of 1% per annum from 2010.

Source: Oxera analysis using Jersey Airport financial model.

Figure 2.4 shows that, under the Airport’s base-case assumption of 1% annual passenger growth, the nominal net cash flow of Jersey Airport is expected to deteriorate gradually over time, but to remain positive until 2021, after which a sharp decline is predicted. The sharp decline in net cash flow post-2021 reflects a forecast substantial increase in capital expenditure to finance a runway extension and resurfacing works. The more gradual, but

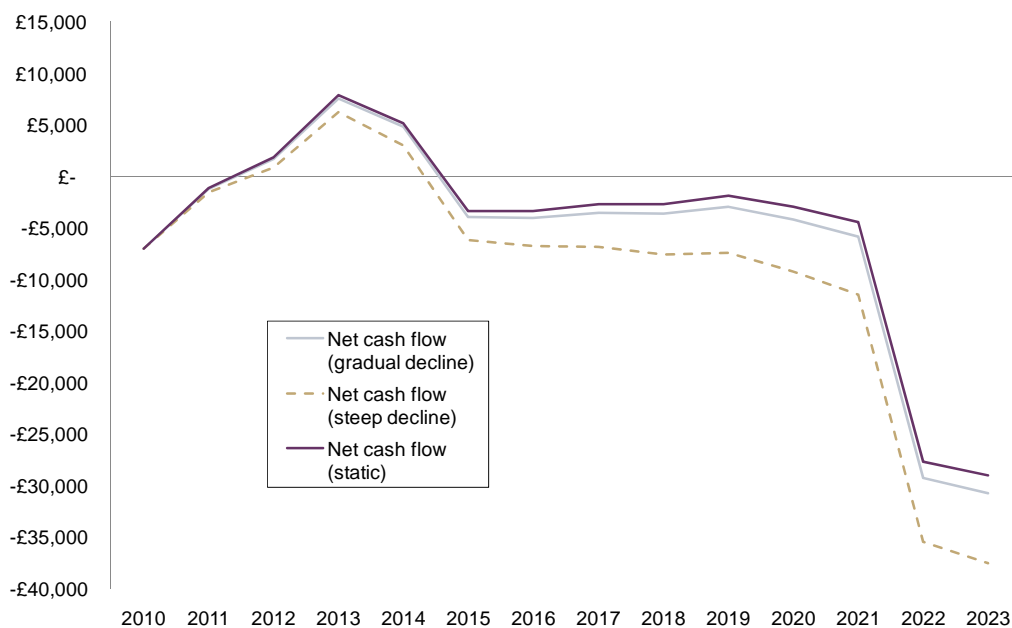
<sup>21</sup> Discussions between stakeholders and Oxera.

continued, deterioration in net cash flow from 2014 reflects the expectation that cost inflation will exceed the effect that the assumed passenger growth of 1% per annum will have on airport charge revenue.

Figure 2.5 compares Jersey Airport’s future financial position under the following three passenger growth scenarios:

- static volumes—passenger volumes remain at 2011 levels;
- gradual decline—passenger volumes decline by 0.7% per annum. This corresponds to a total decline of around 6% between 2011 and 2020, the level of decline observed between 2001 and 2010;
- steep decline—passenger volumes decline by 4% per annum. This corresponds to a total decline of around 30% between 2011 and 2020, the level of decline in all SLVs observed between 2001 and 2010.

**Figure 2.5 Jersey Airport’s financial position under the three scenarios, 2010–23 (£’000s)**



Source: Oxera analysis using Jersey Airport financial model.

In each passenger growth scenario, it is the 2021 capital expenditure to finance the runway extension and resurfacing works that significantly affects the net cash-flow position. However, in all three scenarios, the net cash flow of Jersey Airport becomes negative prior to 2015 as costs have been assumed to increase with inflation, while most revenue streams, including the dominant revenue source—aeronautical charges—have not been assumed to increase with inflation. As expected, the faster the rate of decline in passenger numbers, the sooner the net cash-flow position becomes negative.

To avoid a negative net cash-flow position, maintaining passenger volumes is not sufficient—even with 1% annual growth in passenger volumes, net cash flows decline, and particularly sharply after the 2021 capital outlay. This means that Jersey Airport will need to find additional ways of controlling costs, and/or increasing revenues. The financial model used to simulate the three scenarios assumes that all operating costs are independent of passenger volumes—this may not necessarily be totally realistic. With declining passenger throughput, it may be possible to reduce some costs, particularly if there was a steep decline in passenger numbers. Depending on the price elasticity of demand, it may also be possible to raise

aeronautical charges (and other airport charges) to increase revenues should passenger volumes stabilise or decline.

If the costs at the airport are fixed and independent of the number of passengers, a 6% decline in volumes over nine years (ie, in 2019 with the decline in passengers starting in 2011) creates a reduction in revenues in the 9th year of around just under £1m, and reductions in net cash flow of around just over £1m. In the steep decline scenario, these differences are more like £5m and £5.5m respectively.

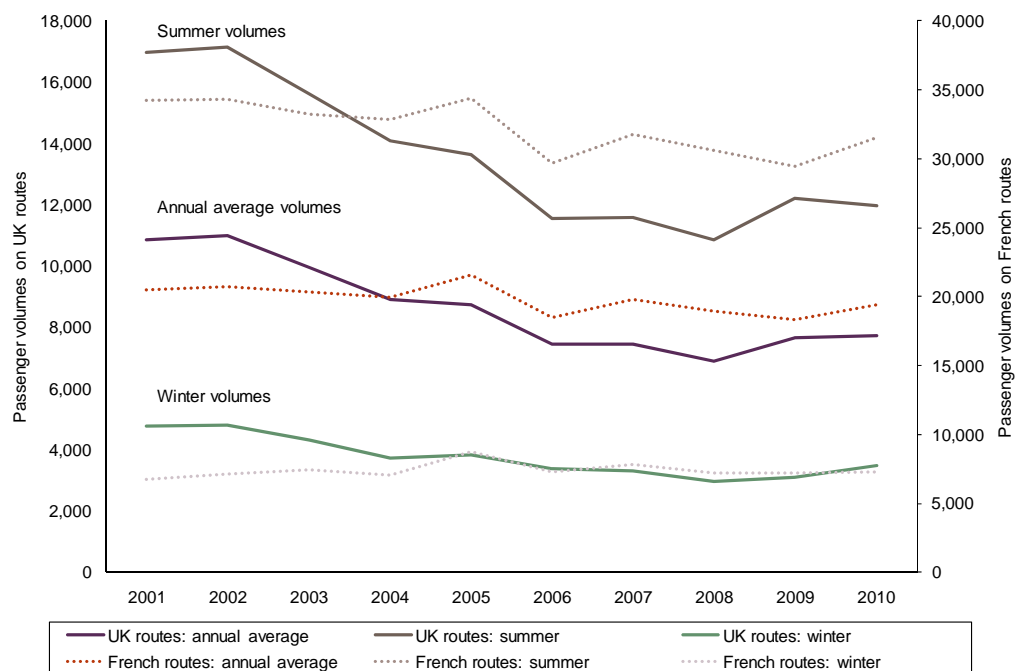
Even under the assumption that costs at the airport are completely fixed in relation to passenger numbers, the impact on the economics of the airport operations of a continued decline in leisure visitors is relatively minor. Even under very extreme scenarios (ie, a decline in passenger numbers of 30%), the additional revenue shortfall at the airport is only £5.5m.

In general, therefore, the decline in the tourism numbers over the last decade has had a relatively minor impact on the provision of air transport links, and this impact has been largely confined to services to regional UK airports. Any consequent impact on the rest of the economy is therefore likely to be relatively minor. To the extent that it does have an impact, this is likely to be confined to a reduction in the attractiveness of Jersey as a place to work through a reduction in the regional connectivity for those residents who wish to return to the UK for visits.

### Impact on sea transport links

Sea connectivity also remains comparable to the position in 2001. The three UK seaports—Weymouth, Poole and Portsmouth—and the three French seaports—Granville, Carteret and St Malo—continue to provide summer and winter services. Figure 2.6 presents the average monthly number of sea passengers on both the northern and southern routes.

**Figure 2.6 Average number of ferry passengers to Jersey per month, 2001–10**



Source: Data on sea arrivals provided to Oxera by Jersey Tourism.

Figure 2.6 shows that there has been a decline overall in ferry passenger numbers since 2002 on both the northern (to UK) and southern (to France) routes, although more on the former, and more in the summer months compared with the winter months.

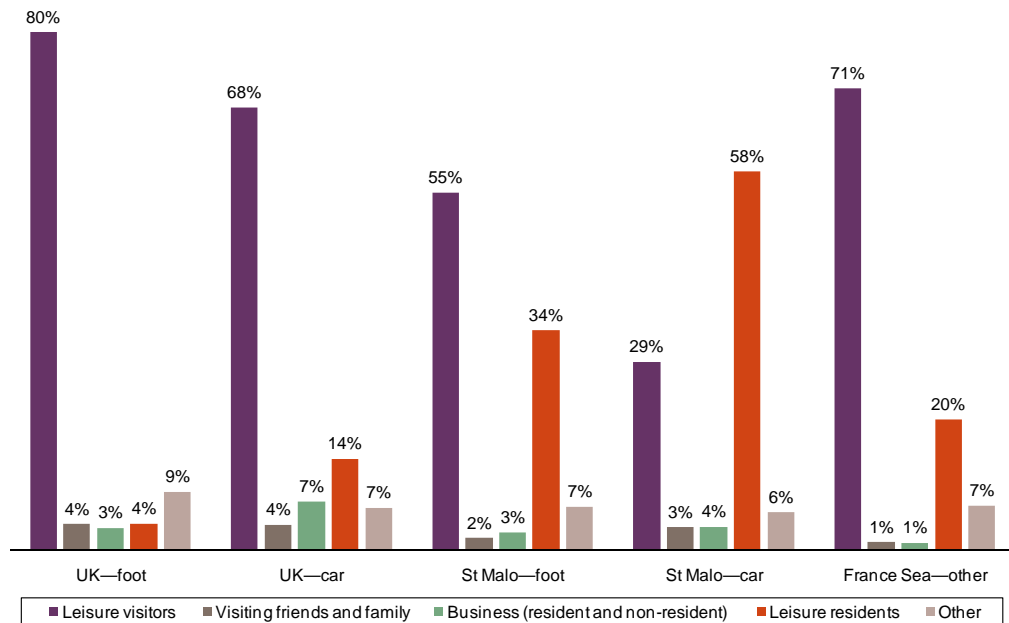
On the northern route, volumes are lower than in 2002, but since 2006 annual passenger numbers have not fallen consistently. Indeed, the number of passengers on the Weymouth–Jersey link rose between 2007 and 2010, while passenger numbers on the Poole–Jersey link (the other core service) remain broadly comparable with their level in 2006. The less-used Portsmouth–Jersey link (which carries 10% of total UK passengers) has experienced a more consistent decline in passenger volumes. This suggests that a continued decline in volumes of UK SLVs could result in the centralisation of services and a reduction in the marginal services.

On the southern route, volumes have remained broadly consistent since 2002, excluding the impact of a short period of enhanced competitive entry and exit between 2005 and 2008. (The impact of competition can be seen to have had a positive influence on passenger numbers. However, it would seem that competition is rather unstable on the southern routes.) There has been a 5% rise on the number of passengers using the French–Jersey day-tripper services, while the St Malo route has seen a decline of only 7% over the full period.

For a number of reasons, Jersey's sea connectivity is unlikely to respond to changes in tourist numbers in a way that will significantly affect the wider Jersey economy. First, the ferry services were not identified during the interviews conducted for this study as being important in maintaining the competitiveness of Jersey's financial services sector. Second, in comparison to airlines, which can more easily redeploy their craft to serve different destinations, ferries currently operating on the UK–Jersey route are less suitable for general Channel crossings. This reduces the opportunity cost of maintaining the current pattern of service to Jersey. Third, residents create a substantial proportion of demand for French ferry services. As shown in Figure 2.7 below, leisure travel by residents accounts for 34–55% of passengers on the St Malo route (and more than 50% of revenues). Finally, given the high volume of freight imported to Jersey, the importance of passenger demand in ensuring the viability of at least some form of sea services is unlikely to be very important. For example, Figure 2.8 shows that Jersey Harbour income from the commercial port in 2009 was expected to be double the revenue from the passenger port.

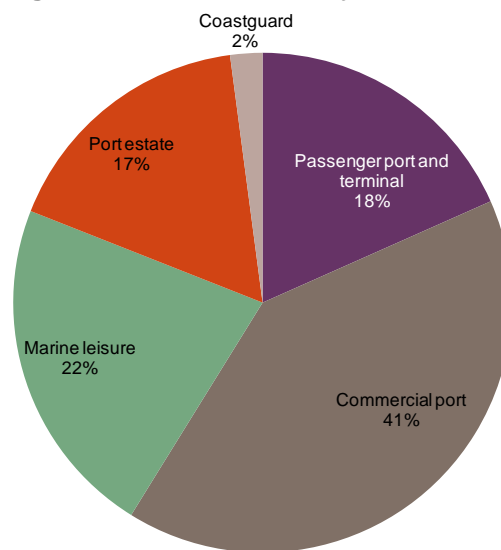
However, Jersey's sea connectivity may respond to changes in tourist numbers in a way that has a significant effect on Jersey residents who use the northern services. Visiting leisure passengers make up a substantial majority of the demand for passenger and car services on the ferry routes going north to the UK. Therefore, a significant reduction in demand from this type of passenger is likely to result in a lower frequency of service. The St Malo and other French sea routes are less likely to be affected. On the routes to France, the drop in passenger numbers has been significantly less—around 12,000 passengers per annum, or 5%. In addition, for the French routes, demand in the winter months has grown.

**Figure 2.7 Breakdown of passengers on ferry services to Jersey, 2007**



Source: Data on sea arrivals in 2007 provided to Oxera by Jersey Tourism.

**Figure 2.8 Breakdown of gross income to Jersey harbour, 2009 (estimate)**



Source: Jersey Harbour Business Overview 2009.

### 2.2.3 Developments in Jersey’s accommodation infrastructure

In comparison to transport infrastructure, accommodation on Jersey has changed considerably over the past 10–15 years. The total capacity of accommodation on Jersey (by bed spaces) fell by 34% between 1992 and 2001, and by a further 27% by 2010.<sup>22</sup> As shown in Table 2.9, there has also been a shift in the composition of accommodation towards hotels and away from guest houses. From interviews with stakeholders in Jersey’s hospitality sector, there has been an additional marked change in the types of hotel on the Island. A number of hotels have redeveloped and upgraded their establishments, which, together with

<sup>22</sup> Jersey Tourism, monthly and annual statistical data, available at: <http://www.jersey.com/business/marketing/MonthlyData/Pages/default.aspx>



new entrants (eg, the Radisson), has improved the standard of accommodation available on Jersey. This change in accommodation stock has had some implications for the Jersey economy. The financial services sector has benefited from an increase in the stock of high-end establishments, while businesses relying on seasonal workers that require affordable accommodation may find the shift negative.

**Table 2.9 Breakdown of bed spaces in Jersey, 1992–2010 (number and percentage of total)**

	1992		2001		2010	
Hotels	16,852	68%	12,660	77%	9,199	77%
Guest houses	4,279	17%	1,520	9%	984	8%
Self-catering	316	1%	958	6%	922	8%
Campsites	2,500	10%	1,250	8%	758	6%
Youth hostel	0	0%	0	0%	24	0%
Holiday villages	823	3%	0	0%	0	0%
<b>Total</b>	<b>24,770</b>		<b>16,388</b>		<b>11,887</b>	

Source: Data provided to Oxera by Jersey Tourism.

## 2.3 Potential implications of a continued decline in tourists

The impact on the Jersey economy of the decline in tourist numbers over the past ten years provides a useful starting point to assess the potential effect of a continued deterioration in numbers, although the past impact can only provide an indication of future outcomes. The impact of a continued decline will also depend on other factors that affect the vitality and composition of the Jersey economy. These may change over time and interact with the impact of any continued decline in tourist numbers. In addition, the same decline in terms of the number of visitors can have different effects according to whether other aspects of tourist behaviour also change—in particular, the propensity to spend (and on what) while in Jersey, and the number of nights stayed.

Extrapolating the observed past effect going forward assumes a linear relationship between tourist numbers and the impact on the economy. For some sectors, particularly where a large proportion of costs are fixed or where tourists currently still have a large impact (either directly or indirectly through induced demand), this can be misleading. In these cases, there may be a ‘tipping point’ such that if tourist demand declines by, say, a further 25%, operations cannot easily be scaled back and/or demand from other types of consumer cannot sufficiently compensate for the lost tourist revenue, such that the financial viability of the business (organisation) as it currently operates is not sustainable. These potentially vulnerable sectors include the transport and accommodation infrastructure, which, as discussed in section 2.2, has strong links with the financial services sector. Other vulnerable activities include the attractions on the Island, which may also be of value to residents, but which, based on current usage patterns, would have insufficient demand to compensate for lost tourist revenue.

In the opposite case, for businesses where tourists are a small, but still significant component of demand, it can be very difficult to establish the effect that the past decline in tourist demand has had. This is partly due to a lack of detailed economy-wide data. For example, while tourists account for approximately 13% of all retail sales on the Island (and all other visitors a further 7%), the contribution to GVA by this sector is available at an

aggregate level only—in combination with wholesale trade.<sup>23</sup> Since 2001, GVA by this combined sector grew by 1%, despite the decline in tourist numbers.

In the context of these caveats, Table 2.10 presents a high-level summary of changes in the Jersey economy that have occurred at the same time as a 29% decline in SLVs. It shows that, while there has been a decline in connectivity in terms of frequency of flights, the number of airports offering daily and weekly flights to Jersey remains high, at 15 and 32, respectively.

**Table 2.10 Summary of developments in Jersey**

	2001	2010	% change 2001–10
<b>Visitors to Jersey by type</b>			
a) All staying leisure visitors	468,650	335,150	–28.5%
UK staying leisure visitors	384,660	249,660	–35.1%
French staying leisure visitors	28,810	36,910	28.1%
b) Leisure day-trippers	141,110	99,870	–29.2%
c) Visiting friends and family	81,780	98,610	20.6%
d) Business visitors (likely to be cyclical with the finance sector)	100,500	95,850	–4.6%
e) Conference delegates	13,020	9,220	–29.2%
f) Other	65,280	46,540	–28.7%
(g=a+b+c+d+e+f) <b>Total visitors to Jersey</b>	870,340	685,240	–21.3%
<b>Arrivals to Jersey by mode</b>			
Air passengers <sup>1</sup>	768,080	720,249	–6.2%
Sea passengers	450,195	376,896	–16.3%
<b>Visitors as a proportion of all passengers</b>	70%	61%	–9%
<b>Direct air links to Jersey<sup>2</sup></b>			
Number of airports with daily flights	17	15	–12%
Number of airports with weekly flights	36	32	–11%
Number of UK airports with daily flights	13	14	+8%
Number of UK airports with weekly flights	27	24	–11%
Total number of flights to Jersey	26,906	22,049	–18%
Total number of flights to Jersey from the UK	23,069	20,505	–11%
<b>Direct sea links to Jersey</b>			
Number of UK ports	3	3	–
Number of French ports	3	3	–
<b>Accommodation on Jersey</b>			
Annual capacity: room nights available (occupancy rate)	1,815,000 (74%)	1,483,295 (59%)	–22% (–15%)
August capacity: room nights available (occupancy rate)	217,400 (94%)	158,596 (91%)	–37% (–3%)
<b>Visitors to Jersey Heritage sites</b>			
All admissions	262,224	160,640	–39%
UK or overseas admissions <sup>3</sup>	24%	23%	–1%
Admission income (£'000, 2010 prices) <sup>3</sup>	1,030	1,102	+7%
<b>Hotels, restaurants, bars</b>			
GVA (£'000, 2003 constant prices) <sup>4</sup>	116	101	–13%

Notes: <sup>1</sup> Excludes transit passengers and based on survey data undertaken by Jersey Tourism. <sup>2</sup> Excludes other airports in the Channel Islands. <sup>3</sup> 2001 data was not available; 2004 data (the earliest available) presented instead. Local admissions to heritage sites fell substantially in 2010, in particular for Hamptonne and Jersey Museum, where the numbers of local admissions in 2010 were 30% and 50% respectively of their levels in 2009. <sup>3</sup>

<sup>23</sup> Based on the GST tax-take calculations.

2001 data was not available; 2000 data presented instead.<sup>4</sup> 2010 data not available for 2010; 2009 data (estimates) presented instead.

Source: Visitor volume data, sea passenger data, and accommodation data provided directly to Oxera by Jersey Tourism; CAA Aviation statistics series; admission data was provided directly to Oxera by Jersey Heritage; States of Jersey (2010), 'Jersey Economic Trends 2010', December.

The reduction in the annual number of flights to Jersey may have had a negative impact on Jersey residents, but is unlikely to have had a significant effect on the wider Jersey economy. This is because the main business routes: Gatwick, Manchester, Southampton have consistently provided a daily service to Jersey throughout summer and winter months. Together, these air routes account for approximately 70% of annual passenger volumes to Jersey, and up to 85% of passenger volumes in some of the winter months. Moreover, where some direct air routes of interest to business passengers have come and gone (eg, Paris), the demand by leisure visitors to travel to Jersey is unlikely to have been a significant factor in the scheduling of this service. In addition, during some of the interviews with financial services businesses, it was commented that the timetabling of the Paris service, when available, was not such that day trips to Europe could easily be arranged.

Tables 2.11 and 2.12 consider the impact on transport links of a further decline in leisure visitors. The typical capacity of planes between the Channel Islands and the UK is around 80 seats and load factors of around 60% are sustainable.<sup>24</sup> This suggests that, for routes where a reduction in demand would result in average passengers per flight falling below 50, the frequency of services is likely to reduce. On this basis, even with a further 50% decline in tourists to Jersey, only a few destinations will need to reduce their current scheduling. As presented in Table 2.12, such air routes include Southampton and Edinburgh, which might be significant for the Jersey economy due respectively to hospital and business requirements.

In terms of sea links, despite the 16% reduction in passenger numbers between 2001 and 2010, the number of links available remains unchanged from the 2001 level, and going forward, is unlikely to change with a similar further decline in passengers. However, a continued decline in leisure visitors, particularly from the UK, could have a significant impact on the financial viability of the current level of services, and a reduction in the frequency of these services would be expected. In addition, business demand for sea links to Jersey predominantly relates to the shipping of freight, which involves different boats to those used primarily for passenger services, and therefore will be largely unaffected by changes in passenger demand.

**Table 2.11 Breakdown of air passengers to Jersey by route, 2009**

Airport	Total	Resident: leisure	Resident: business	Resident: other	Visitor: leisure	Visitor: VFR	Visitor: business	Visitor: other
Gatwick	276,029	36%	12%	3%	22%	12%	12%	3%
Southampton	71,825	22%	6%	12%	27%	13%	17%	2%
Manchester	47,081	21%	3%	3%	46%	15%	10%	2%
E. Midlands	30,491	12%	2%	2%	62%	15%	5%	1%
Birmingham	12,784	17%	8%	2%	47%	8%	16%	2%
Cardiff	12,514	17%	2%	1%	61%	17%	2%	0%
Exeter	15,532	28%	8%	5%	27%	15%	16%	1%
Bristol	11,957	25%	4%	3%	42%	13%	12%	1%
Edinburgh	11,807	21%	2%	3%	48%	18%	6%	3%
Stansted	10,588	22%	6%	3%	47%	15%	7%	1%

<sup>24</sup> Based on the current and intended fleet of one of the main airlines flying to Jersey—Flybe—which consists of 118-seater, 88-seater and, increasingly, 78-seater planes. Flybe's average load factor in 2009 was 61.7%. See Flybe (2010), 'Annual report'.

Airport	Total	Resident: leisure	Resident: business	Resident: other	Visitor: leisure	Visitor: VFR	Visitor: business	Visitor: other
Liverpool	27,579	25%	7%	4%	37%	24%	3%	1%
<b>Total/average of airports listed above</b>	490,020	27%	7%	4%	35%	13%	11%	2%

Notes: The total number of air passenger arrivals to Jersey from UK airports in 2009 exceeds 490,020, which instead represents the total number of arrivals across the selection of UK origination airports also listed in the table. Analysis of passenger arrivals from all UK airports is not possible because data on the breakdown of air passengers is only available for some airports.

Source: Data on the breakdown of air passengers was provided directly to Oxera by Jersey Tourism; total number of air passengers is based on CAA Aviation statistics data.

**Table 2.12 Impact of a further 50% decline in leisure visitors**

Airport	Change in total number of passengers	Number of flights in 2009	pax/flight in 2009	New pax/flight (before number of flights change)	
Gatwick	30,238	-11%	3,661	75	67
Southampton	9,692	-13%	1,283	56	48
Manchester	10,858	-23%	673	70	54
E. Midlands	9,527	-31%	278	110	75
Birmingham	3,024	-24%	227	56	43
Cardiff	3,806	-30%	181	69	48
Exeter	2,130	-14%	341	46	39
Bristol	2,502	-21%	220	54	43
Edinburgh	2,805	-24%	240	49	38
Stansted	2,482	-23%	239	44	34
Liverpool	5,113	-19%	232	119	97
<b>Total/average of airports listed above</b>	74,580	-15%	7,104	69	58

Source: CAA Aviation statistics series.

Table 2.10 also presents developments in terms of accommodation, use of heritage sites and the GVA from hotels, restaurants and bars. Corresponding to the 29% decline in SLV numbers, room nights sold, heritage admissions and the GVA measure have also declined, by 42% (not presented), 39% and 13% respectively. The smaller decline in the GVA measure for hotels, restaurants and bars reflects their increasingly diversified customer base. Going forward, a continued decline in visitor numbers is likely to further reduce accommodation capacity on the Island (which, as Table 2.10 shows, fell by 22% between 2001 and 2010), as well as to alter the composition of the accommodation, as it has done in the past.

The impact of a continued decline in tourism in terms of the aggregate statistics for the Jersey economy (such as tax-take, output, GVA and employment) will vary according to the timescale in mind. An impression of the short-term impact can be established by considering the past, subject to the same caveats described above. However, in the longer term, employment is likely to shift to alternative sectors, changing the overall effect. Indeed, should a greater proportion of employment in Jersey come from the financial services sector, the long-term net financial impact of a decline in tourism could be positive. This is because the output, GVA and net tax-take from employees in the financial services sector is substantially greater than in any other sector.

Should the labour force be rebalanced in this way, while the expected long-term net financial impact on the economy would be positive (GVA, output and wages would be expected to rise), there would be other, non-financial, effects on Jersey to consider. For example, this shift would enhance the specialisation of Jersey's economy in one sector—financial services—the sustainability of which is subject to factors outside the direct control of the States of Jersey, such as actions undertaken by other international financial centres. Another important consideration is how a move away from tourism might alter the culture and atmosphere on the Island, and, depending on the new direction the economy takes, the impact could be considered negative. Finally, considering economy-wide statistics misses out an important level of detail regarding the distribution of the impact.

## 2.5 Conclusions

Based on the analysis above, and working on the assumption that the overall labour force available in Jersey remains more or less constant, the following impacts of a continued decline in tourism could be expected in the medium term:

- a slight reduction in the number of air passengers, and a slight reduction in the level of UK connectivity to regional airports and frequency of services;
- a reduction in the car and passenger numbers using the (fast) ferries to the UK, potentially resulting in a less frequent service;
- a continued contraction in the total number of beds available;
- a slight reduction in the number of restaurants/cafes/bars;
- a reduction in the number of customers at many attractions and heritage sites—possibly making some of them economically unviable;
- a reduction in the employment in the sectors dependent on tourist spending, and redeployment of labour to other sectors of the economy (given the high levels of non resident employment in these sectors, 'redeployment' of labour may be achieved by attracting a different set of people to Jersey).

However, these changes are unlikely to have any significant impact on the attractiveness of Jersey as a location for the provision of international financial services, and hence the knock-on effects for the rest of the economy are likely to be small. The financial sector does not rely on regional air-links, ferry services, or the type of accommodation or dining facilities that are likely to be most affected by a continued decline in tourism.

The direct impact of any continued decline in tourism on the Jersey economy will be critically dependent on what activities any 'substitute' labour undertakes.<sup>25</sup> Because visitors represent a significant part of the total final consumption expenditure in Jersey, GST revenues would be likely to fall. However, if the substitute labour expands the financial services sector, or the more general business support sector, the increase in average wages and profits will generate increased tax revenues from income tax.

With the possible exception of some of the attractions, there does not appear to be any significant tipping point in relation to the economy as a whole of further contraction in the tourism sector mirroring the decline of the past decade. The policy implications of this conclusion are that tourism policy can be largely evaluated *in* the sector, rather than needing to take into account potential ramifications in the rest of the economy.

<sup>25</sup> Many of those currently employed in the tourist sector do not have residential qualifications and are therefore likely to leave the Island should they become unemployed. This creates more room on the Island for 'substitute' labour, which may have very different skills, and thus become employed in very different industries, to those leaving.

### 3 Impact of destination advertising

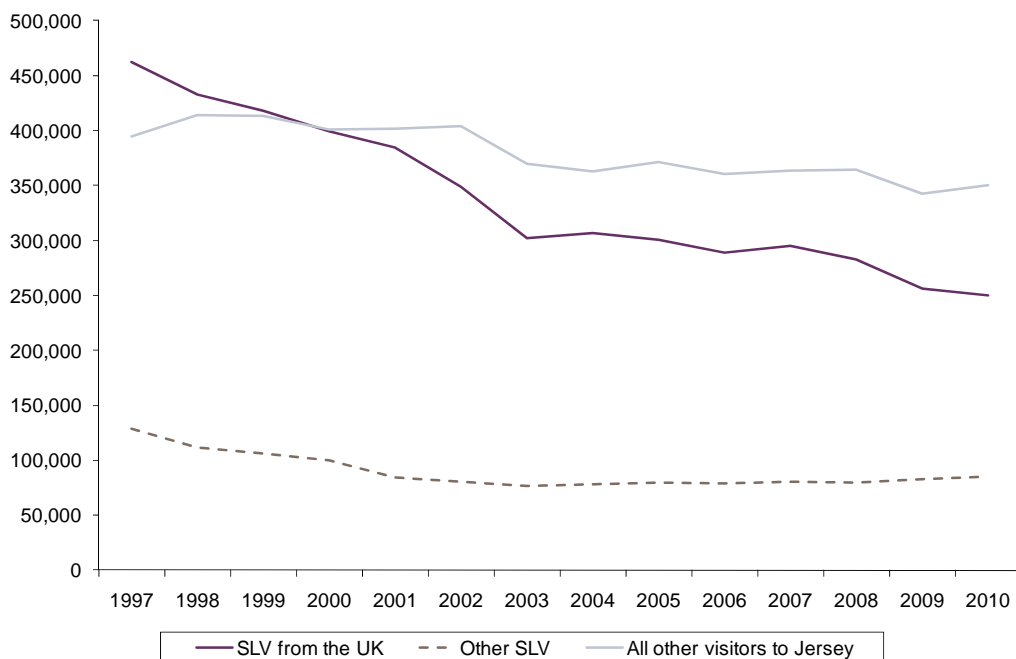
The advertising of any specific attraction on Jersey can raise the profile of Jersey and the total number of visitors to the Island. Therefore, in addition to stimulating demand for the target attraction, the advertising of any specific attraction can also stimulate demand for other attractions. Since this positive impact on other attractions is not considered by the attraction when it is deciding how much advertising would be cost-effective to undertake, the market may deliver *too little* advertising. This creates a potential role for the government to provide some targeted ‘destination advertising’, to increase the profile of the Island.

Destination advertising refers to marketing activities that promote the broad attraction of Jersey as a tourist destination rather than specific attractions on the Island. These marketing activities can be channelled through a broad range of media (television, press, poster and radio), accessed either by direct purchase of advertising space or by stimulating interest through PR activities.

In recent years (eg, in 2008 and 2010), TV advertising from Jersey Tourism has often used additional, unbudgeted, government funds. Such additional funds have generally been made available on the premise that TV destination advertising has a significant positive impact on the value of tourism in the short term. Therefore, the focus of the analysis presented in this section is to assess whether there is evidence to suggest that destination advertising—in particular, on television—does indeed have a significant positive impact on the value of tourism in Jersey in the short term.

Should the short-term impact be small, there may still be a strong case to continue to use destination advertising (both on TV and via other media) to promote Jersey in the longer term, to stem the general decline in UK tourists evident in Figure 3.1. However, if this is the objective, it brings into question the rationale of using unbudgeted government funds for any incremental destination advertising activity.

**Figure 3.1 Trends in the visitors to Jersey, 1997–2010**



Source: Jersey Tourism (2010), ‘Jersey Tourism: A year in review’, Appendix 1.

Section 3.1 explains the conceptual framework behind the approach taken to analyse the impact of destination advertising. The results of the analysis are presented in section 3.2, with conclusions and policy implications drawn in section 3.3.

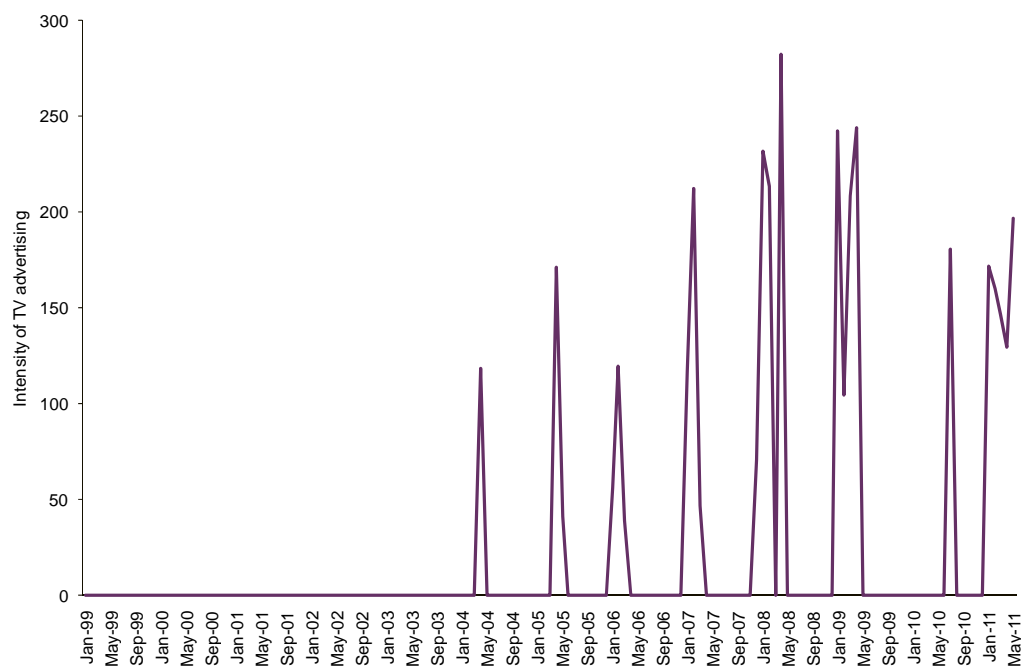
## 3.1 Conceptual framework

### 3.1.1 Approach to event study analysis

To assess the impact of destination advertising, it is necessary to identify when events have occurred—where ‘events’ refer to points in time when advertising has changed substantially. The impact of such events can then be assessed by monitoring changes in measures of both interest in visiting the Island (eg, activity on Jersey.com, brochure enquiries and forward hotel bookings) and measures of the actual value of tourism on the Island (eg, number of beds sold and total arrivals to the Island).

As illustrated in Figure 3.2, the use of TV destination advertising by Jersey Tourism has been particularly variable over the past ten years. This suggests that considering changes in the intensity and dates of TV advertising between different years can provide suitable events to analyse. Data on the use of press advertising is available from 2005 (presented in Figure 3.4 below). During this period, press advertising has been used consistently in each year, but with varying intensity and timings. Therefore, between some years, the changes in the use of press also provide a possible event to analyse.

**Figure 3.2 Trends in the use of TV advertising by Jersey Tourism, 1999–2011**



Note: TV advertising intensity is measured using TV ratings, a standard metric used by Broadcasters' Audience Research Board (BARB) that captures both the expected depth of coverage of the target audience, and the expected frequency at which the target audience is exposed to the TV advertising.  
Source: Oxera analysis of advertising intensity data provided to Oxera by Allied Media.

The level of interest and the realised value of tourism in Jersey are affected by a number of factors, only one of which is the intensity of destination advertising. For example, interest in Jersey as a place to visit is seasonal, rising after Christmas and in the run-up to spring and summer seasons, regardless of the level of Jersey advertising. Other factors identified as potentially having an important effect on the interest and ultimate decision to visit Jersey include:

- the increase in general web use by Jersey visitors;<sup>26</sup>
- the euro–sterling exchange rates;
- the general economic climate, and thus the financial situation for potential Jersey visitors;
- events such as the Euro and World Cups, and the ash cloud of 2010.

To disentangle the effect of any change in destination advertising from changes in these other factors on the interest and value of tourism, numerous approaches have been adopted. For example, in order to control for the general growth in web activity over time and isolate incremental web interest arising from advertising, web activity in any particular month has been considered as a proportion of annual web activity. Furthermore, by comparing these monthly ‘market shares’ over time—in particular, between years when the timing of advertising altered significantly—the underlying seasonality of interest (that would occur independently of advertising) can be controlled for. Considering SLVs to comparable destinations—eg, Guernsey (for which data on destination advertising spend is also available)—helps to control for some external events, such as the euro–sterling exchange rate, ash cloud and Euro and World Cups.

The impact of advertising in Jersey can be assessed using quantitative information—eg, data on web activity, forward bookings and arrivals. In addition, the effectiveness of advertising can be assessed using qualitative information from those who would directly benefit from any impact, such as stakeholders such as hotel, restaurant and attraction owners in Jersey. Insight into the influences and views held by the target Jersey tourist population is provided in the Paul Winestone Research Tracking Surveys (the tracking surveys).<sup>27</sup>

### 3.1.2 Reaction chain

The objective of destination advertising is to increase the value of tourism on Jersey. It aims to do this by first increasing awareness of Jersey as a tourist destination, provoking interest, and then, crucially, stimulating a decision to visit (or stay longer in) Jersey. Considering the full reaction chain, rather than just the final stage, helps disentangle any impact arising from advertising from the other factors influencing the value of tourism on Jersey, through the following ways.

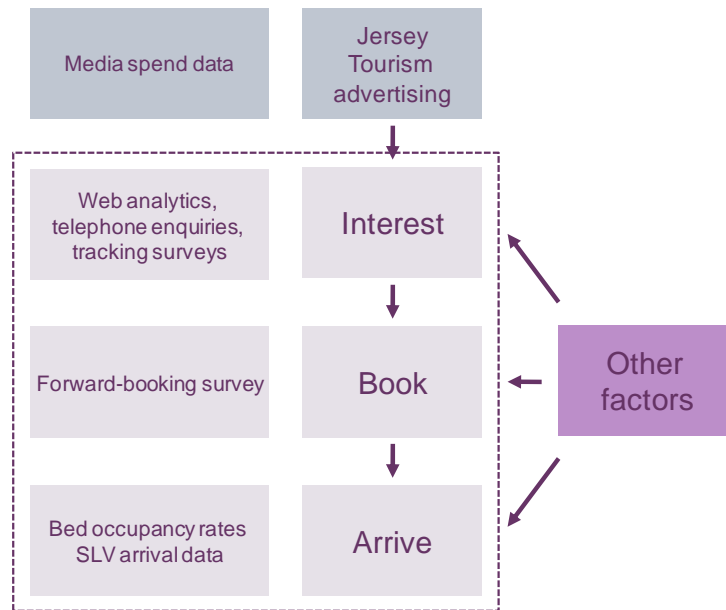
- Considering the full chain of events helps to identify when destination advertising can be expected to have an impact at a particular point in the chain. For example, if interest is observed to rise 1–4 weeks after the launch of an advertising campaign, any increased bookings will also start to be received at least 1–4 weeks after the campaign’s launch.
- Monitoring each element along this chain of events increases confidence in the extent to which advertising, rather than other factors, can account for any observed changes in the final level of demand for tourism on the Island. For example, if measures of arrivals in Jersey change, but measures of interest do not, it becomes less clear that advertising was the driver for the change in arrivals.
- By considering the full chain of events, multiple ways in which the impact of destination advertising can be observed can be identified. This is important because the impact of destination advertising observed by individual measures can be more or less distorted by other factors (‘noise’) at particular points in time. However, considering multiple measures increases the reliability of the conclusions drawn.

<sup>26</sup> General web usage of Jersey visitors has increased from 57% in 2004 to 73% in 2008. See Jersey Tourism (2004 and 2008), Summer Visitor Surveys’.

<sup>27</sup> Jersey Tourism provided directly to Oxera the tracking surveys for 2007, 2008 and 2009.



**Figure 3.3 Drivers and measures of tourism in Jersey**



Source: Oxera.

## 3.2 Analysis

The analysis is split into three sub-sections. The first considers developments in Jersey Tourism’s advertising activity to identify changes suitably substantial to expect an observable change in the data. These changes define the events to analyse and the sort of impact each event might be expected have, taking into account the context surrounding each event (eg, relative movements in advertising undertaken by other, comparable destinations). The second investigates the impact of such events on **interest** in Jersey as a tourist destination. It uses the following measures of interest: activity on Jersey.com, brochure enquiries, the forward-booking survey and responses to the tracking and visitor surveys. The third investigates the impact of changes in destination advertising on the **volume** of tourists to Jersey, using bed occupancy and arrival data from both Jersey and comparable destinations including Guernsey.

### 3.2.1 Developments to the Jersey Tourism destination advertising campaign

Since its establishment, Jersey Tourism has used a range of media to promote the attractiveness of the Island as a holiday destination. Of particular note is the use of TV advertising in 2004. This marks the first ‘event’ to consider, since it represents the first use in some time of television as a medium for destination advertising for some time, at least since 1999.<sup>28</sup> The variability in the dates and intensity of TV advertising since 2004 (as illustrated in Figure 3.1) creates some other possible significant ‘events’ to monitor:

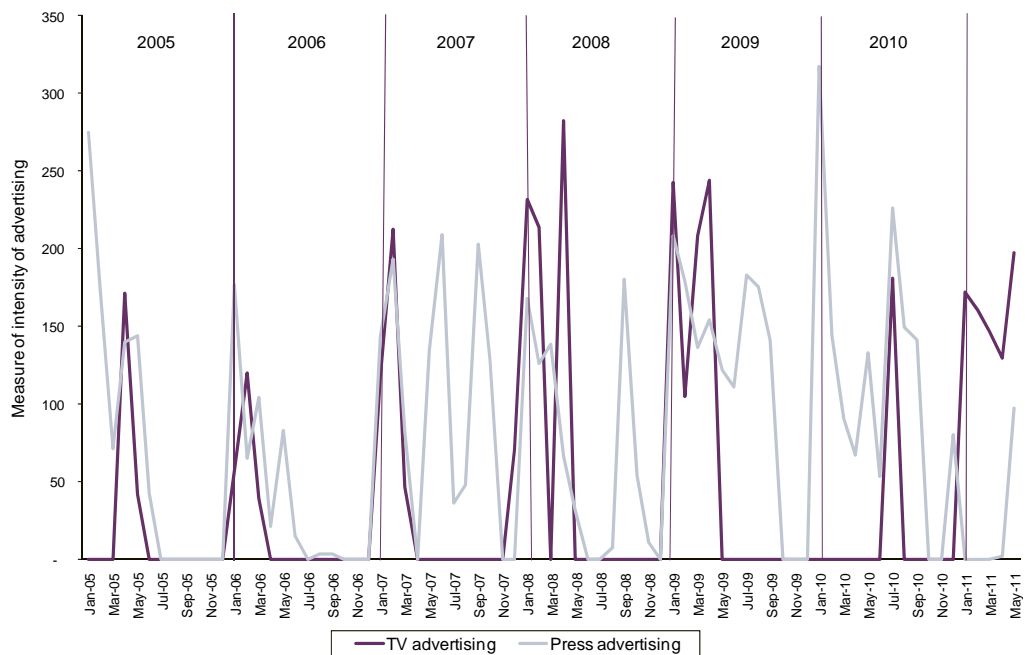
- in 2010 TV advertising occurred in July only;
- in 2004 and 2005 it occurred in April only;
- in 2007–09 and 2011 it began in January and bursts were repeated in the spring, boosting the overall intensity of TV advertising in those years;
- in 2008 and 2009 it began particularly early, on December 26th 2007 and January 5th 2009 respectively.

<sup>28</sup> This is based on the description of advertising campaigns in the 1999–2011 Jersey Tourism annual reports. This qualitative information is supported by Allied Media statistics on the intensity of TV advertising since 2002 which confirms that during this time period, April 2004 was the first incidence of TV advertising. Whilst TV advertising has been used in the past, Jersey Tourism confirms it is likely that between 1999 and 2004, no TV advertising was undertaken.

In comparison to TV, the use of press has remained more consistent. Figures 3.4 and 3.5 show that, between 2005 and 2010, the intensity of press advertising during the first five months of each year hardly changed. This indicates that only changes in the use of TV advertising can potentially account for any observed changes in the level of interest in Jersey as a tourist destination early in the year during this period, rather than changes in the use of press advertising.

The only substantial variation in press advertising has been the decision to delay and reduce press advertising in 2011 (very little occurred prior to May), and the extent to which significant advertising continues into the autumn months (this did not occur in 2005 or 2006). These factors will need to be considered when assessing the impact of the 2011 TV advertising campaign and of advertising in January in 2007.

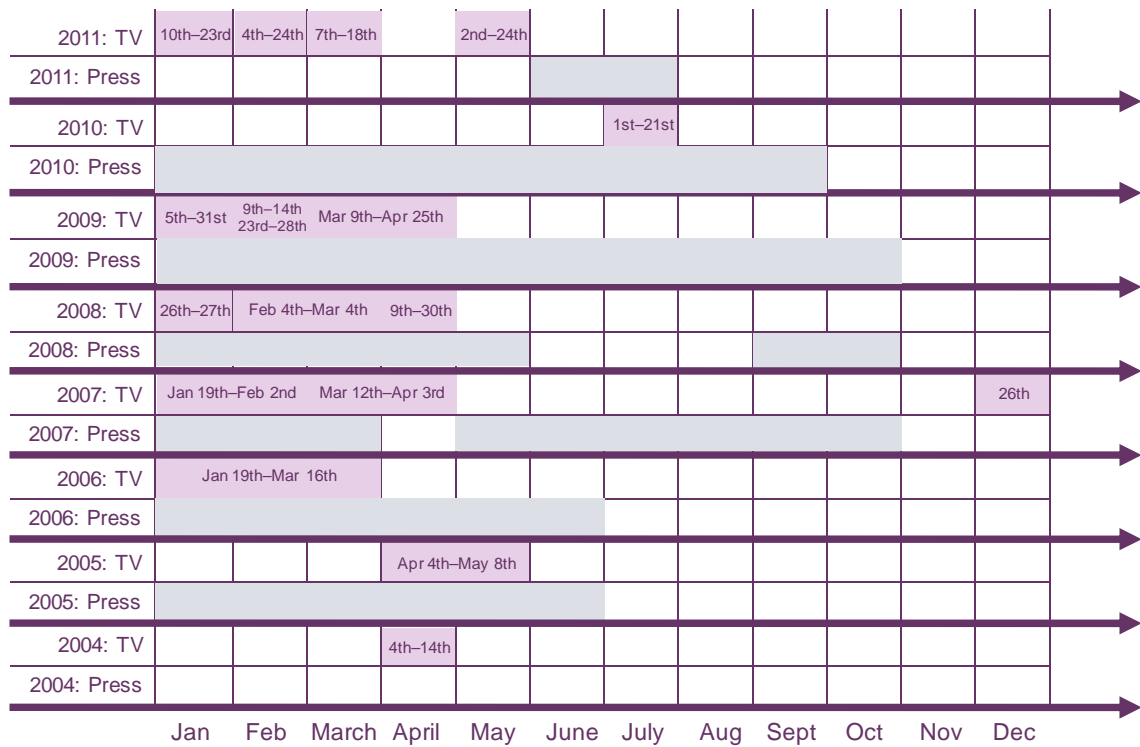
**Figure 3.4 Trends in the use of TV and press advertising by Jersey Tourism, 2005–11**



Note: The measure of advertising intensity is not comparable between different media, but provides a useful indication of how the intensity of each form of advertising varies over time.

Source: Oxera analysis of advertising intensity data provided to Oxera by Allied Media.

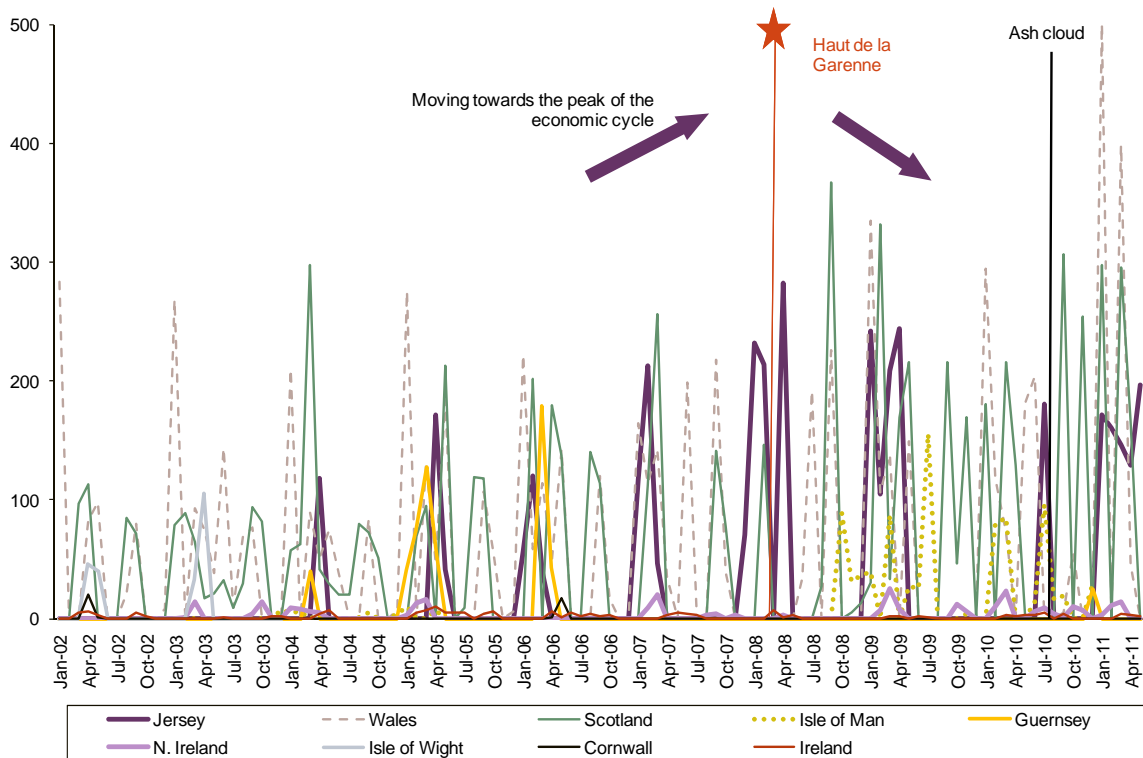
**Figure 3.5 Dates of TV and press advertising by Jersey Tourism**



Note: Blue shading indicates press advertising (data on press advertising is not available prior to 2005); purple shading indicates TV advertising, for which dates are also provided.  
 Source: Oxera analysis of Jersey Tourism buying reports.

To consider the impact of any TV advertising undertaken by Jersey Tourism, it is important to take into account the context. To this end, Figure 3.6 below presents the intensity of TV advertising undertaken by comparable destinations and illustrates trends in the total market. The figure has been annotated to identify particular external events.

**Figure 3.6 Intensity of TV advertising by comparable destinations, 2002–11**



Source: Oxera analysis of BARB data provided to Oxera by Allied Media.

The first message that can be drawn from Figure 3.6 is that throughout the 2002–11 period there has been a significant amount of TV advertising by comparable destinations.<sup>29</sup> To the extent that the relative amount of advertising (market share) affects potential holiday decisions, the advertising campaigns of comparable destinations may affect the impact of TV advertising by Jersey Tourism.

Except for a short-lived, sharp decline in 2008, the total annual amount of TV advertising by these comparable destinations has been on an upward trend, more than doubling over the nine-year period. This increase in TV advertising intensity was more than matched by Jersey Tourism, whose market share grew from around 10% in 2004–06 to around 25% in 2007–09.<sup>30</sup> Jersey Tourism maintained the intensity of TV advertising throughout 2008, and thus for this year its market share of TV voice grew to 28%, or 38% when the additional post-Haut de la Garenne burst of advertising is taken into account.<sup>31</sup>

These changes in TV advertising market share present an additional event to consider: the doubling of market share of TV voice in 2007 might have an effect similar to the introduction of TV advertising in 2004.

Figure 3.6 also shows that, relative to the total amount spent by Guernsey, the Isle of Man and the Isle of Wight, Jersey spends considerably more on TV. This suggests that considering the holiday visitors to such comparable destinations may provide a useful way to measure the effectiveness of TV as a medium for destination advertising.

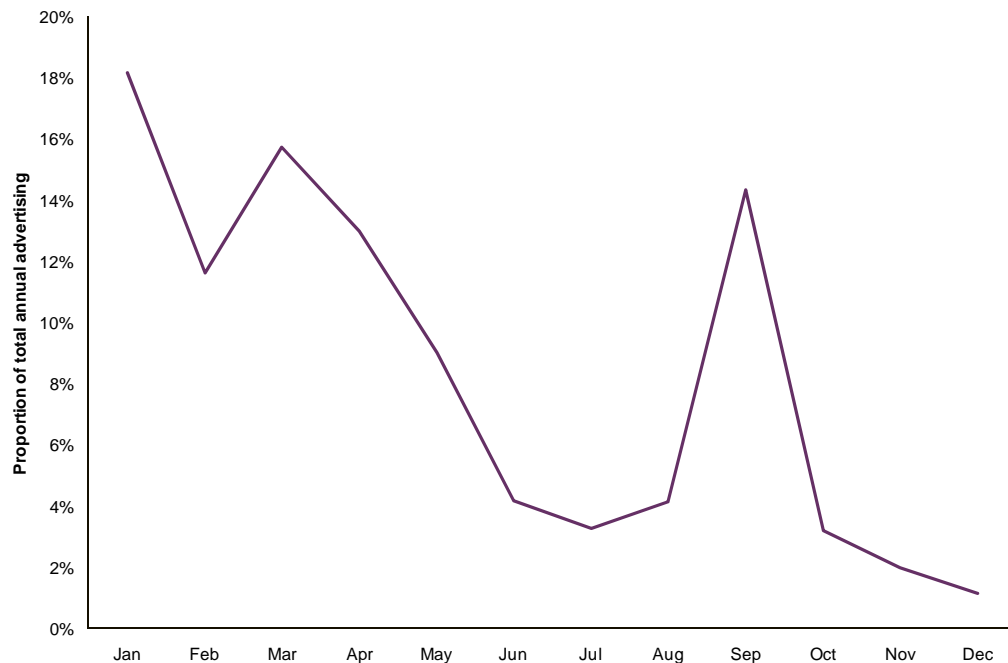
<sup>29</sup> The destinations considered comparable to Jersey are: Wales, Scotland, Isle of Man, Isle of Wight, Cornwall, Guernsey, Ireland and N. Ireland.

<sup>30</sup> Oxera analysis of BARB data provided to Oxera by Allied Media

<sup>31</sup> Indeed, if the post-Haut de la Garenne burst is considered, the intensity of TV advertising by Jersey Tourism increased by 60% between 2007 and 2008.

In terms of when TV advertising is undertaken during the year, it is common for such advertising to peak in January, spring (March, April and May, altering from year to year depending on when Easter lies) and during the end of the summer season (September). The average for the total market from 2002 to 2010 is summarised in Figure 3.7. This implies that when Jersey Tourism undertook TV advertising in July 2010, it would have achieved a much higher market share of voice than in years when the focus was on the early part of the year.

**Figure 3.7 Average profile of TV advertising for comparable destinations to Jersey, 2002–10**



Source: Oxera analysis of BARB data provided to Oxera by Allied Media.

By considering developments in the form of destination advertising undertaken by Jersey Tourism and the surrounding context over the past ten years, some key events have been identified. The expected impact of each at the various points of the causality chain (where the required data is available) are summarised in Box 3.1 below.

## Box 3.1 Overview of hypotheses to test

### Introduction of TV advertising in April 2004

**Interest:** increase in web and telephone enquiries during April and May relative to previous years.

**Arrivals:** stabilisation in the decline in SLV arrivals, beds sold and occupancy rates from 2004.

### Absence of TV advertising in 2010, except for July (but may be mitigated by the intensive early-year press advertising campaign)

**Interest:** increase in web and telephone enquiries in July relative to previous years, and—since the required daily data is available to monitor this—an immediate spike in interest.

**Forward bookings:** greater increase in bookings made for the remaining season between July and August in 2010 relative to other years. Smaller increase in bookings made between January and February in 2010 relative to 2007, 2008, 2009 and 2011, when TV advertising started in January.

**Arrivals:** improvement in the occupancy rate for August and September relative to June, July (and the early season more generally) in 2010. The impact may also be reflected in terms of a higher ratio of arrivals in August than June, compared with the ratio in earlier years.

### Intensive TV advertising in 2007, 2008, 2009 (in absolute terms and relative to comparable destinations)

**Interest:** increase in the proportion of SLVs who reported that TV influenced their visit to Jersey in the 2008 visitor survey compared with the 2006 survey.

**Arrivals:** increase in the occupancy rates achieved during this period, relative to the occupancy rates achieved during this period in other years. The impact may also be reflected in terms of more holiday visitors to Jersey than to other comparable destinations.

### Timing of TV advertising: only in April in 2004, 2005

**Interest:** increase in web and telephone enquiries in spring 2004 and 2005 relative to other years.

### Timing of TV advertising: early in January in 2008, 2009

**Interest:** increase in web and telephone enquiries in January 2008 and 2009 relative to other years, and—since the required daily data is available to monitor this—an immediate spike in interest.

**Forward bookings:** greater increase in bookings made between January and February in 2009, 2011 compared with 2010, when TV advertising did not occur until July.

### Use of press advertising in autumn in 2007–10

**Interest:** increase in web and telephone enquiries in the autumn months in 2007–10 relative to previous years.

## 3.2.2 Impact on interest in Jersey as a tourist destination

People interested in visiting Jersey may be motivated to further their knowledge, for example by exploring the Internet or requesting a travel brochure. With sufficient interest, the individual will begin to plan their trip, and may, for example, book their flights or accommodation.

Jersey Tourism monitors web activity on its own site and telephone enquiries for brochures. While these activities do not capture the full market (individuals may prefer to visit travel agents or explore other Internet sites), it is reasonable to expect any experiences at Jersey Tourism to be representative of the general level of interest in Jersey. It is unlikely that any spike in interest at Jersey.com corresponds to a reduction of interest at other sources.

Since 2007, Jersey Tourism has also monitored the forward-booking occupancy rate for a sample of accommodation providers on the Island. Again, while this does not capture the full market, it is reasonable to expect any trends in the forward-booking survey to be representative of the general level of interest in Jersey.

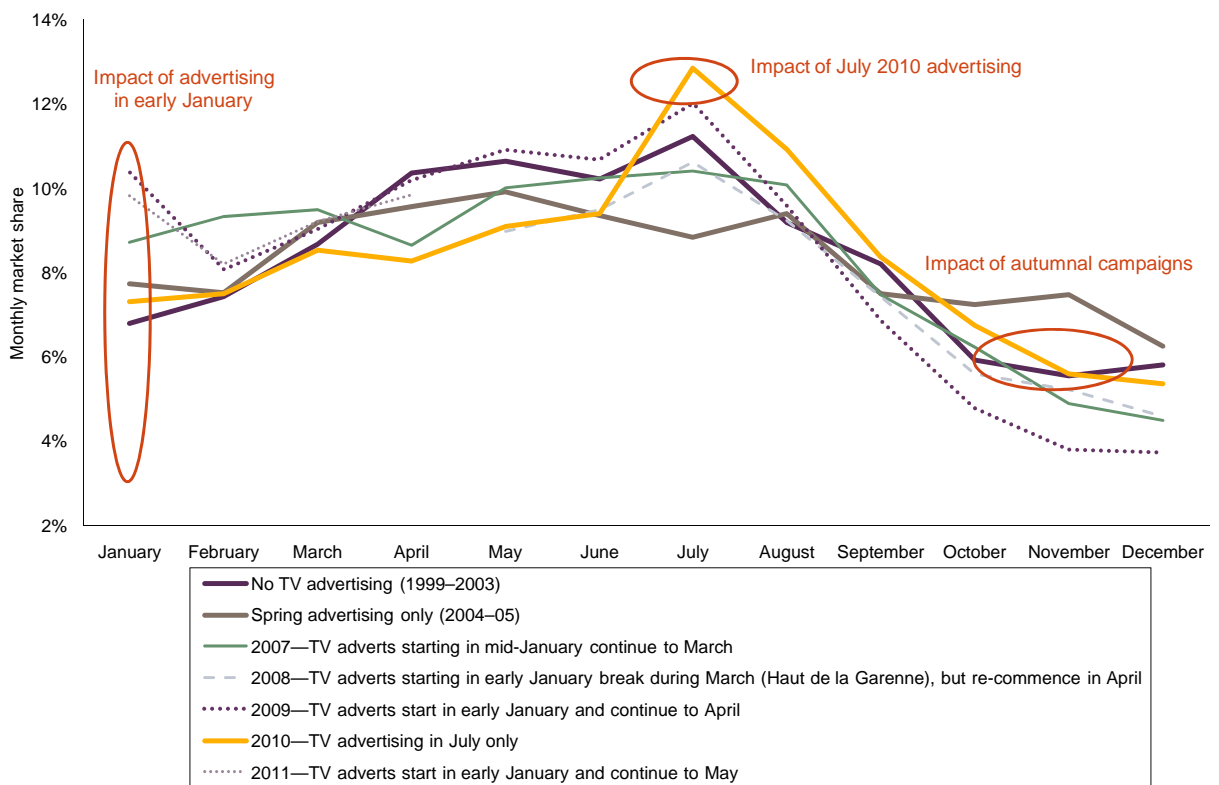
In addition to data monitoring web activity, telephone enquiries and forward bookings, the visitor surveys undertaken in 2004, 2006 and 2008, and the 2007–11 tracking surveys have provided useful information. The visitor surveys monitor the factors that have influenced those who have decided to visit Jersey, and the tracking surveys measure the effectiveness of the 2007–10 advertising campaigns. The results of both have fed into the analysis presented here, as has the qualitative information provided by the stakeholders during the course of this study.

### Results from the analysis of enquiries to Jersey Tourism

**Destination advertising does not have a visible effect on telephone enquiries.** This is likely to be due to the way in which contracted companies often report brochure orders to Jersey Tourism in batches, resulting in large spikes in the data.

**Destination advertising can have a visible, immediate, effect on Jersey.com web activity. There is also some evidence that destination advertising can have a persistent effect on Jersey.com web activity.** Figure 3.8 presents the share of total web activity in each year by month. Therefore, if TV advertising is effective in stimulating interest peaks that coincide with the TV schedule for each year would be expected. As highlighted, there is evidence that is consistent with the conclusion that early January advertising in 2008, 2009 and 2011, and the July burst in 2010, were effective in stimulating interest.

**Figure 3.8 Impact of destination advertising on activity on Jersey.com, ratio of monthly web visits to total annual web visits**



Note: Jersey.com web activity has been measured using different statistics over time. In order to maximise the amount of data available (to distinguish year-specific spikes from general trends), the data is reported using a 'monthly market share' approach. This considers the ratio of total web activity in each month to the total web activity in each year, thereby removing the need for the data to be measured on a consistent basis. In particular between 1995 and 2007 there was strong growth in the overall use of Jersey.com. Considering the monthly market share helps to disentangle the impact of destination advertising from this general growth in web activity. Rolling 12-month market shares were also considered when interpreting the data.

Source: Oxera analysis of Jersey.com web statistics compiled from the following data sources: 1999–2007 data from the relevant Jersey Tourism annual reports; 2008–2011 data downloaded directly from Google analytics.

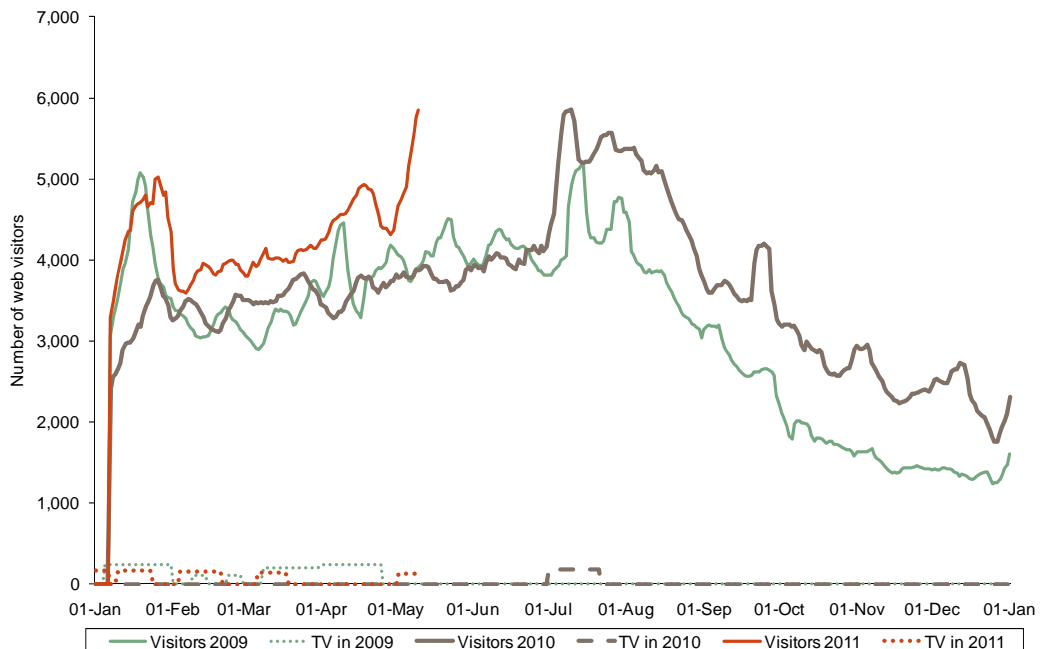
The evidence presented in Figure 3.8 is not always so positive. For example, spring advertising does not always coincide with any incremental increase in web activity and web interest rises in July in most years regardless of whether there is any concurrent TV advertising.<sup>32</sup> In 2004 and 2005, when TV advertising was undertaken in spring, the proportion of annual web activity that occurred in the spring is actually lower than in the absence of any advertising, while for 2008, 2009, and 2011 the increment is only small.

Figure 3.9 presents the absolute number of daily web visits from January 2009 to May 2011 (the longest time period available), with comparable messages to Figure 3.8:

- January advertising is effective at stimulating immediate interest—web activity in January and early February in 2009 and 2011 is higher than in 2010 when there was no TV advertising in the first quarter;
- July advertising is effective at stimulating incremental immediate interest, although there is a seasonal peak in interest that occurs in July anyway—web activity in July 2010 is higher than in July 2009, but web activity in both years rises in July relative to June;
- February and March bursts of TV advertising do not have a strong impact on immediate interest—web activity during February and March in 2009 (when Jersey Tourism was advertising on TV) is comparable to the level in 2010 when no adverts occurred.

Figure 3.9 also suggests that TV advertising can have a positive, *persistent*, effect on interest. While web activity at the start of 2010 was low relative to 2009 and 2011 (which, as explained above, is likely to reflect the absence of early-year TV advertising in 2010), after the July 2010 burst, the level of web activity rose sharply and then remained considerably higher than in 2009. Similarly the intensive 2011 early-year TV advertising (which ran from January to May) may have driven the increment in web activity during this period in 2011 compared with the levels in 2009 and 2010.

**Figure 3.9 Impact of destination advertising on activity on Jersey.com, daily web visits compared with TV ratings from January 2009 to May 2011**



Source: Oxera analysis of Google Analytics for Jersey.com for web visitors, and TV ratings from Allied Media.

<sup>32</sup> These peaks may reflect realised visitors investigating the Island.



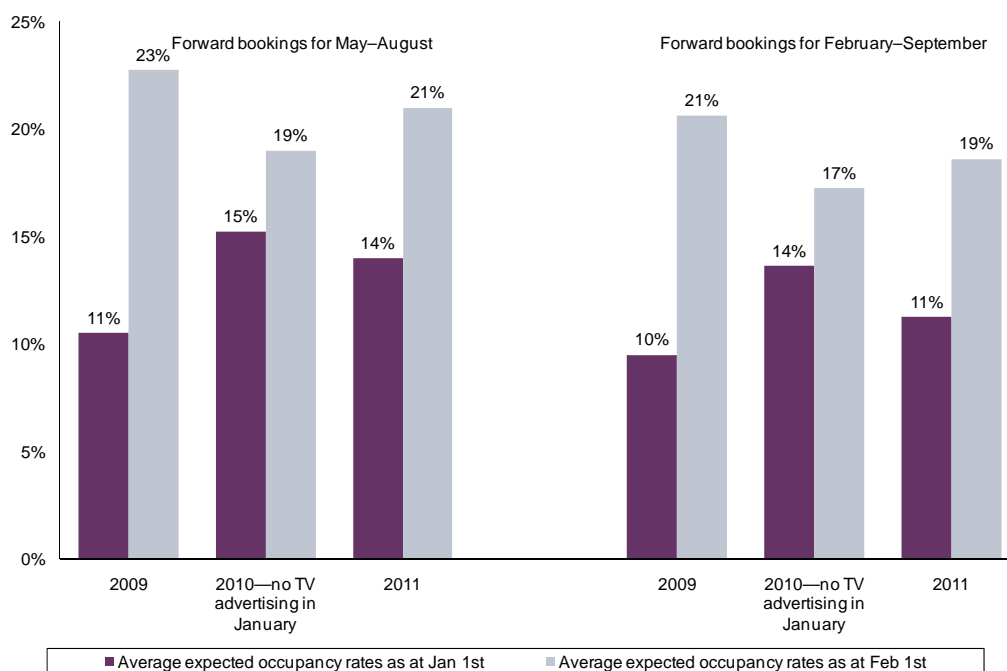
## Results from the analysis of forward bookings

**Destination advertising early in the year can have an immediate impact on forward bookings.** On a monthly basis, all registered tourist accommodation providers are requested to report to Jersey Tourism the number of rooms sold and available, for each of the forthcoming 12 months. This data is not perfect: the response rate is not complete and those that respond vary by month. However, since the number of establishments typically reporting in each month ranges between 35 and 50, equivalent to 20% and 35% of the total accommodation stock on the Island (on a simple count basis), it is expected to be sufficiently representative to provide at least a general sense.<sup>33</sup>

Data on forward bookings is available from 2009 and for some months in 2007 and 2008, providing an opportunity to consider the impact of the absence of TV advertising early in 2010, and then the subsequent July burst.

Figure 3.10 shows the expected occupancy rates for the peak season (May–August) and longer summer season (February–September) in 2009, 2010 and 2011. The expected occupancy rates at the start of January, before TV advertising started in any year, can be compared with the expected occupancy rates at the start of February, when in 2009 and 2011 at least two weeks of 30-second TV adverts had occurred.

**Figure 3.10 Impact of January TV destination advertising on forward bookings**



Source: Oxera analysis of forward-booking data provided to Oxera by Jersey Tourism.

As shown in Figure 3.10, compared with 2010 the incremental bookings in 2009 and 2011 between January and February are higher. This is consistent with the conclusion that TV advertising does stimulate interest, and results in earlier bookings.

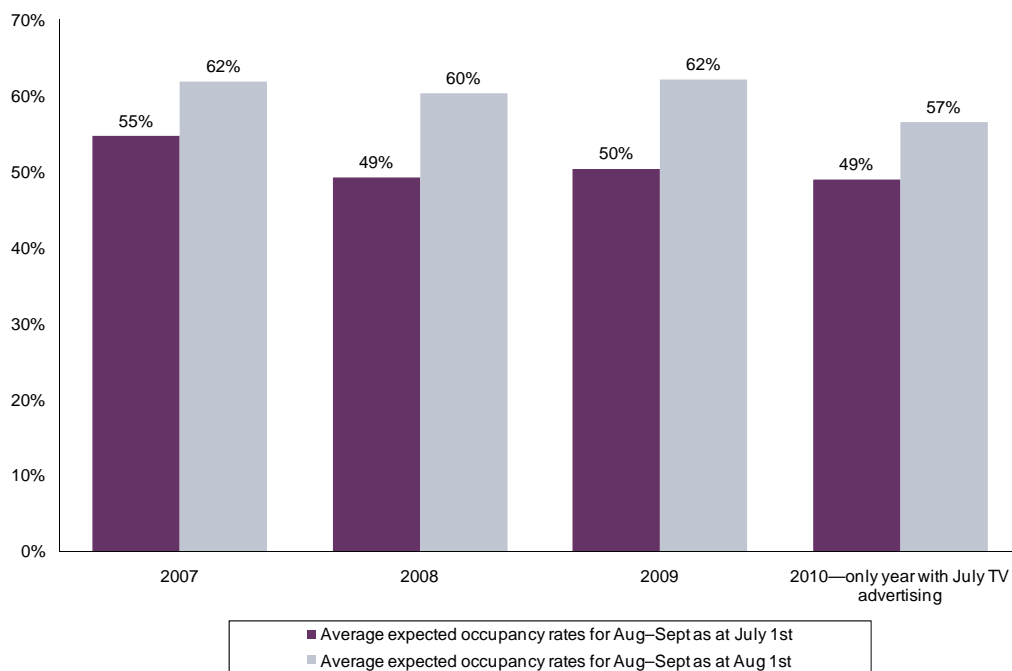
As discussed in more detail in the section below (3.2.2) on the impact on arrivals, this finding is not matched when realised occupancy rates are considered. Realised occupancy rates are comparable in all months between 2009 and 2010, including January to June, despite the absence of TV advertising during such months in 2010. One explanation is that, when facing

<sup>33</sup> The total number of registered tourist accommodation establishments in 2007–10 falls from 159 to 141. Using a simple count means that no adjustment has been undertaken to take account of the size of the establishment.

low bookings, hotels sacrificed yield and cut prices in 2010, such that final booking rates were maintained in 2010.

Figure 3.11 shows the expected occupancy rates for the remaining peak season (August and September) in 2007, 2008, 2009 and 2010. Here the incremental bookings between July and August are comparable across all years, indicating that the July burst in 2010 did not have a significant effect on forward bookings. This contradicts the qualitative information provided by some stakeholders on the Island, who considered the July burst to be very effective in stimulating additional bookings. The discrepancy between experiences of the industry, and the forward booking data analysis, could be because the incremental bookings arising subsequent to the July TV advertising were for bed spaces also in July. Since the forward-booking survey only considers bookings for forthcoming months, any incremental bookings for July, would not have been picked up.

**Figure 3.11 Impact of July TV destination advertising on forward bookings**



Source: Oxera analysis of forward-booking data provided to Oxera by Jersey Tourism.

### Findings from the visitor and tracking surveys

**TV destination advertising has only a weak influence in stimulating interest in Jersey, although its effect on raising awareness can be more significant.** In addition to data monitoring web activity, telephone enquiries and forward bookings, the visitor surveys undertaken in 2004, 2006 and 2008 and the 2007–2011 tracking surveys have provided useful information. The visitor surveys ask whether certain factors influence visitors' decisions to visit Jersey, the results of which are summarised in Table 3.1 below.

**Table 3.1 Factors influential in determining a visit to Jersey**

	All main-season visitors			First-time visitors			Repeat visitors		
	2004	2006	2008	2004	2006	2008	2004	2006	2008
www.jersey.com	14%	18%	18%	18%	24%	23%	12%	15%	15%
Tour operator brochures	19%	19%	15%	26%	24%	21%	16%	16%	12%
Newspaper adverts	19%	15%	14%	24%	20%	18%	17%	12%	11%
Jersey tourism brochures	18%	17%	11%	20%	16%	11%	18%	18%	11%
Bergerac	15%	12%	11%	23%	17%	14%	11%	9%	9%
Newspaper articles	10%	8%	7%	14%	12%	9%	8%	7%	6%
Other websites	3%	7%	7%	4%	10%	9%	3%	5%	6%
Magazine adverts	6%	6%	7%	13%	11%	10%	6%	5%	5%
TV adverts	4%*	6%	7%	8%*	9%	10%	4%*	4%	5%
Magazine articles	8%	7%	6%	7%	10%	8%	5%	5%	5%
Other TV programmes set in Jersey	9%	5%	5%	10%	6%	7%	7%	4%	3%
Newspaper/magazine inserts	5%	3%	4%	6%	5%	6%	5%	3%	2%
Direct mail		2%	2%	0%	1%	1%	0%	2%	2%
Radio programmes	*	0%	1%	*	0%	1%	*	0%	1%

Note: \* In 2004 the influence of radio programmes was included in the figures for TV advertising.  
Source: Oxera analysis of 2004, 2006, 2008 visitor surveys.

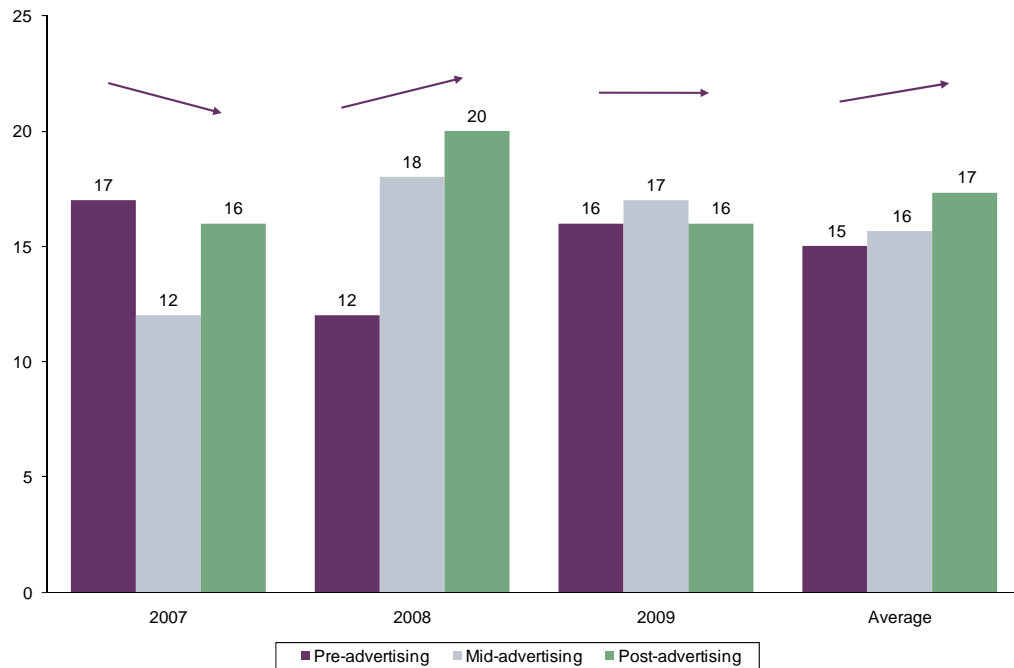
Between 2004 and 2008, TV adverts influenced the decision to come to Jersey for an increasing proportion of the main season visitors. In 2004, only 4% of visitors were influenced (including those influenced by radio programmes). This proportion rose to 6% in 2006 and 7% in 2008. For first-time visitors, the rise is less pronounced, from 8% to 10%. Since there was a break in TV advertising from (at least) 1999 to 2003 (inclusive), this supports the hypothesis that TV adverts do influence the decision to visit Jersey.

The visitor survey also identifies that, in addition to TV, advertising through other mediums has influenced a large proportion of tourists choosing to visit Jersey. Jersey.com has been influential for a large, and increasing, proportion of visitors. Despite a small decline since the levels in 2004, brochures, newspaper adverts and Bergerac remain influential for a large proportion of visitors (at 15%, 14% and 11% respectively).

The tracking reports survey the target audience of Jersey advertising (socio-economic group ABC1) three times: pre-TV advertising (in the December the year before); mid-campaign (March); and post-TV advertising (late June). A number of questions are asked, including the extent to which respondents could recall advertising related to Jersey, and whether they would consider Jersey as a destination for a short or longer break. Data from the tracking reports is available for 2007–09 only, during which time there was little change in Jersey's advertising campaign, therefore the most useful insight comes from considering changes between the mid- and post-advertising campaign waves relative to the pre-advertising wave. As summarised below, the findings do not suggest that TV advertising always has a particularly strong effect on stimulating immediate interest in Jersey, but can have a stronger impact on awareness.

Figure 3.12 below considers interest in Jersey as a destination.

**Figure 3.12 Proportion of respondents who would consider Jersey as a destination for a short break or for a longer holiday**



Source: Oxera analysis of 2009–11 tracking surveys.

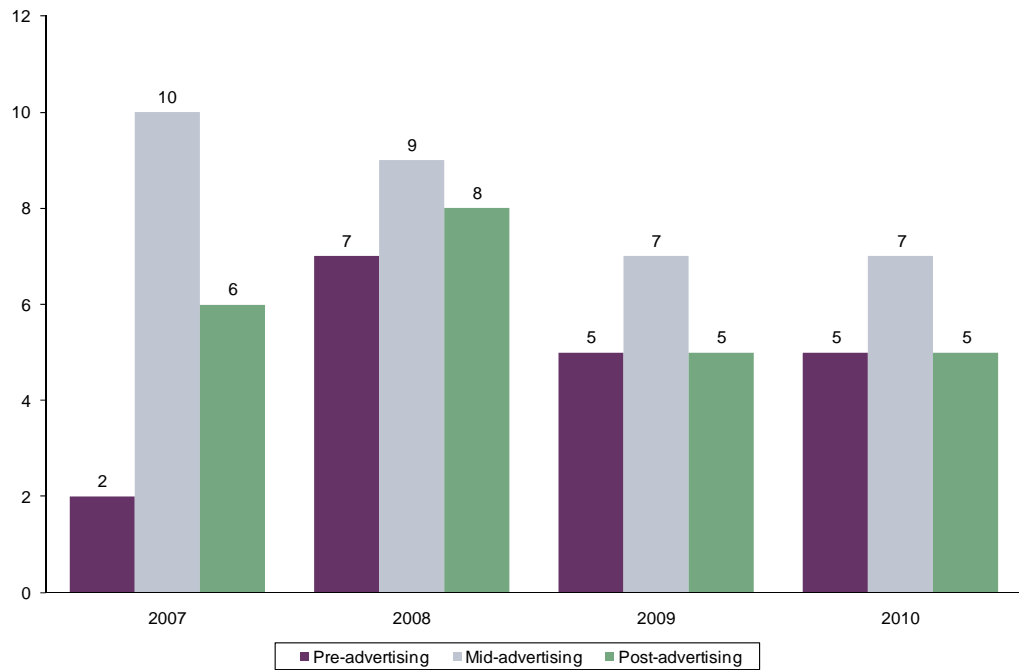
Figure 3.12 shows that between 2007 and 2009, the level of interest remained relatively stable throughout the waves of advertising. For example, 2008 is the only year in which the levels of interest rose post-advertising relative to the prevailing levels of interest. Furthermore, between 2007 and 2009, autumn press advertising was reintroduced (this had not been used in 2005–06) and Jersey’s market share of TV voice increased from around 10% in 2004–06 to around 25% in 2007–09. Despite this increase in the intensity of advertising, the proportion who considered Jersey as a destination for a short or longer break is higher at the start of 2007 than at the start of 2008.

The advertising recall results presented in Figures 3.13 and 3.14 below show more positive evidence, suggesting that the effect of advertising on awareness can be more significant. For example, Figure 3.13 shows that during the period 2008–10, recall ranged between 5% and 9%, with recall highest mid-campaign.<sup>34</sup> Furthermore, recall in wave 1 2007 was particularly low compared with the levels achieved in other years. This low level of awareness may reflect the absence of autumn advertising in 2006.

Figure 3.14, which illustrates the effectiveness of different media in raising awareness, shows TV adverts to be the most likely to be recalled (and therefore most likely to raise awareness), with TV ad recall increasing mid-campaign. Press advertising appears to have a more persistent effect, with substantial recall during wave 1 likely to reflect the advertising from the previous autumn.

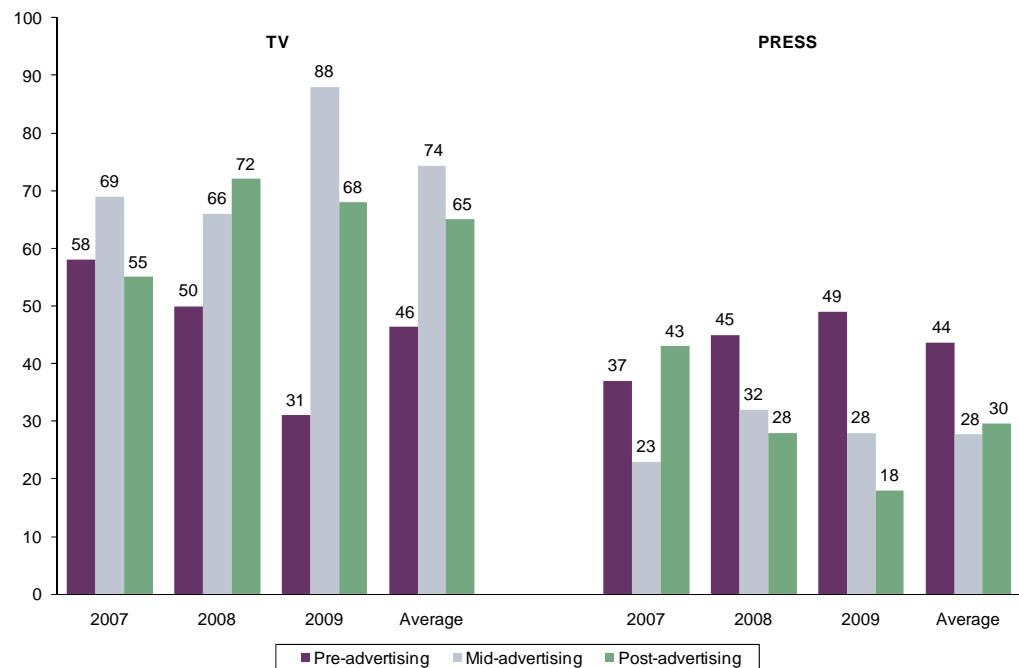
<sup>34</sup> Respondents were asked whether they remembered seeing any advertising (TV, press, magazine adverts or direct mail) related to Jersey.

**Figure 3.13 Proportion of respondents who recall advertising of Jersey**



Source: Oxera analysis of tracking surveys.

**Figure 3.14 Proportion of respondents who recall different forms of advertising of Jersey (visually prompted)**



Source: Oxera analysis of tracking surveys.

### 3.2.3 Impact on staying leisure visitors to Jersey

The primary objective of destination advertising is to increase the value of tourism on Jersey. This can be done by increasing the volume of visitors, the number of nights they stay, and the amount that they spend while in Jersey. In the case of destination advertising, the focus is on increasing the volume of tourists and bed nights. These can be measured using the visitor registration cards that every person staying in registered accommodation must complete.

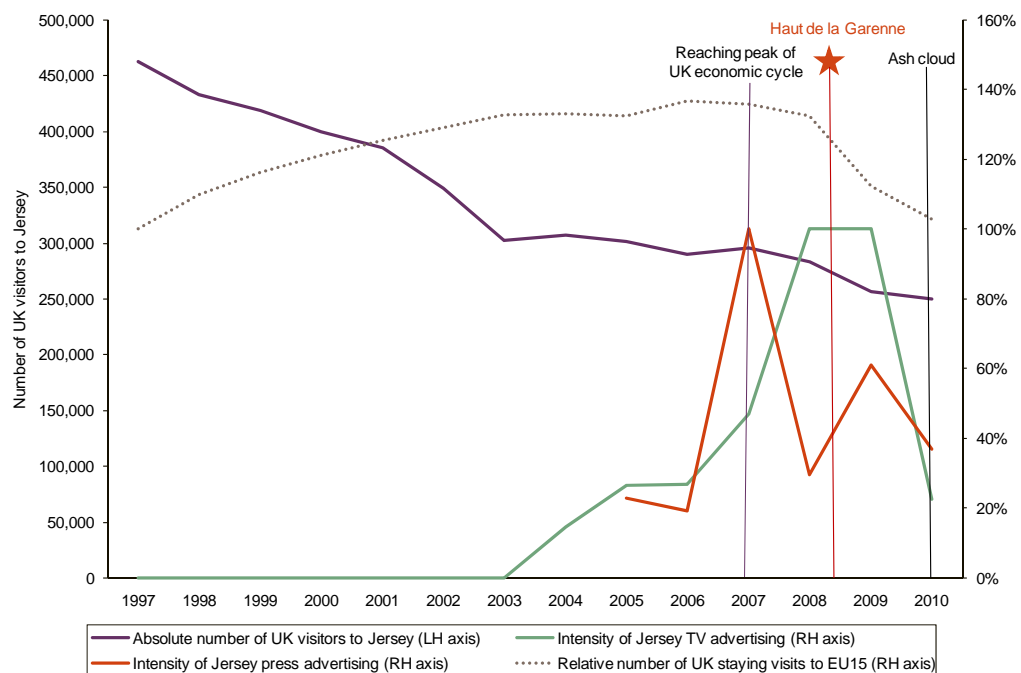
The positive impact from destination advertising can be captured by considering changes in these volume measures before and after substantial changes in the amount of advertising undertaken. To further validate these findings and control for external influences, the volume measures can be compared against those for similar destinations (eg, Guernsey) where data on the intensity of their TV advertising is also available.<sup>35</sup>

### Results from the analysis of annual volume data

**The analysis of annual volume data suggests that destination advertising can have an effect on visitor volumes, but this may not be sufficient to compensate for external events.** As illustrated in Figure 3.15 below, UK SLVs to Jersey have been in decline since (at least) 1997. However, during this period, the rate of decline has varied: between 2001 and 2003 and 2008 and 2009, the decline was particularly sharp, and between 2004 and 2008, there was some stabilisation in volumes.

The stabilisation in UK SLVs to Jersey in 2004 coincides with the introduction of TV advertising in the UK, and is not a trend common to all other comparable destinations. For example, as shown in Figure 3.15, the number of visitors from Britain to all EU destinations had been increasing from at least 1998, and there is no acceleration in this trend post-2004. This suggests that advertising can have an impact on the number of visitors, a message that is also evident in Figure 3.16 below, which considers the number of visitors and advertising undertaken by a selection of comparable destinations to Jersey. For the Isle of Man, Figure 3.16 shows that there is some visible correlation between the intensity of advertising in any particular years and the number of visitors, while, for the Isle of Wight, such an immediate impact is less evident, with visitor numbers rising in 2005, but advertising peaking in 2003.

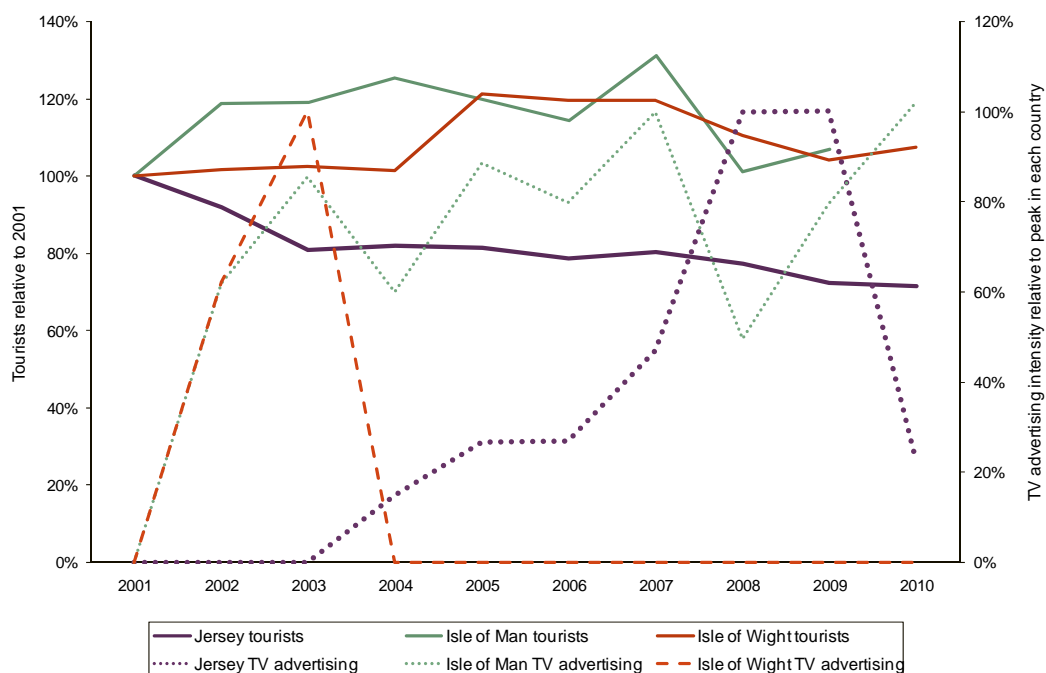
**Figure 3.15 UK SLVs to Jersey and advertising intensity in Jersey, 1997–2010**



Source: Jersey SLV numbers are from Jersey Tourism; advertising intensity data is from Allied Media.

<sup>35</sup> Although the reporting methods do vary: Guernsey, for example, estimates the total number of tourists from the proportions arising from seasonal exit surveys and total arrivals data.

**Figure 3.16 Comparison of changes in visitor numbers and advertising intensity in Jersey, Guernsey, Isle of Man and Isle of Wight, 2001–10**



Source: Oxera analysis of Jersey Tourism Annual reports (various years), Appendix 1.

The intensification of advertising in Jersey in 2007–09 appears to have been less effective in stimulating visitor numbers. While the introduction of TV in 2004 coincides with the stabilisation of visitor numbers, the intensification in 2007 failed to stem the sharper decline in visitors that occurred from 2008. However, it is likely that external events—in particular, the global recession—will have also been affecting the number of visitors to Jersey from 2008, and depressing the visibility of any effect of advertising in terms of stimulating visitors to Jersey.

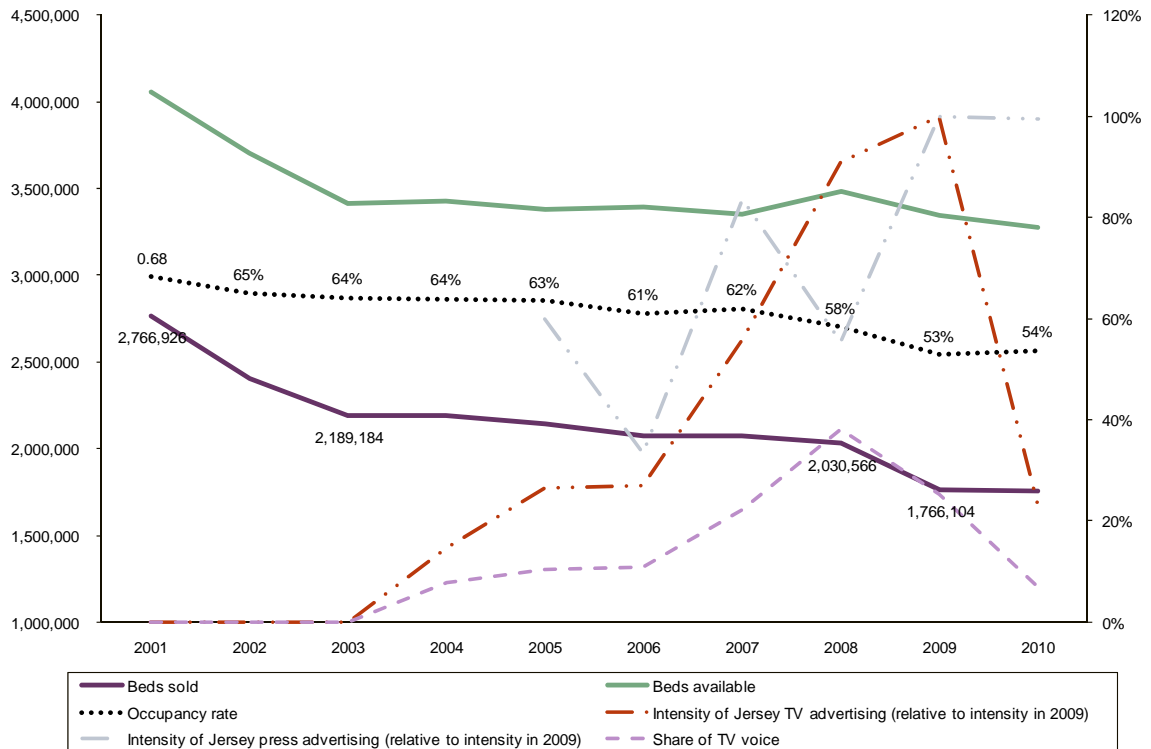
As shown in Figure 3.15, the total number of holiday-makers from the UK to the EU15 countries fell sharply from 2008, even more so than the number of visitors from the UK to Jersey. This suggests that the recession was reducing the willingness for Jersey’s target market to travel. In addition, between 2008 and 2009, Jersey lost a number of flights, including some relatively low-cost, leisure visitor-oriented routes, such as Coventry–Jersey. The loss of such flights is also likely to reflect, at least in part, the increased financial pressure on airlines arising from the recession. Similarly, between 2008 and 2009, there was also a marked decline in the capacity of accommodation available on Jersey (see Figure 3.17 below).

Altogether these factors help explain why the intensification of advertising post-2007 appears less effective than might have been expected. In addition, accounting for these factors suggests that, in the absence of advertising, leisure visitors to Jersey may have declined even further.

Figure 3.17 shows the trends in bed occupancy rates compared with TV and press advertising in Jersey, with findings consistent with Figure 3.15. The stabilisation in the decline in beds sold in 2004 coincides with the introduction of TV advertising. There is also a stabilisation in the withdrawal of capacity from the Island between 2004 and 2008, which may have also contributed to the stabilisation of visitor numbers. Tour operators noted to Oxera during the interviews that greater accommodation capacity on the Island helped to increase volumes sold and that, with greater supply, competition is likely to increase and prices may become more attractive to potential visitors. The extent to which accommodation capacity affects visitor numbers is not always consistent, and will depend to some extent on whether

this competitive dynamic is working. For example, the increase in capacity in 2008 did not result in an increase in the number of beds sold, while the withdrawal of capacity in 2009 appears to have been more important for visitor numbers, with a similar decline in their numbers.

**Figure 3.17 Trends in bed occupancy rates compared with TV and press advertising in Jersey**



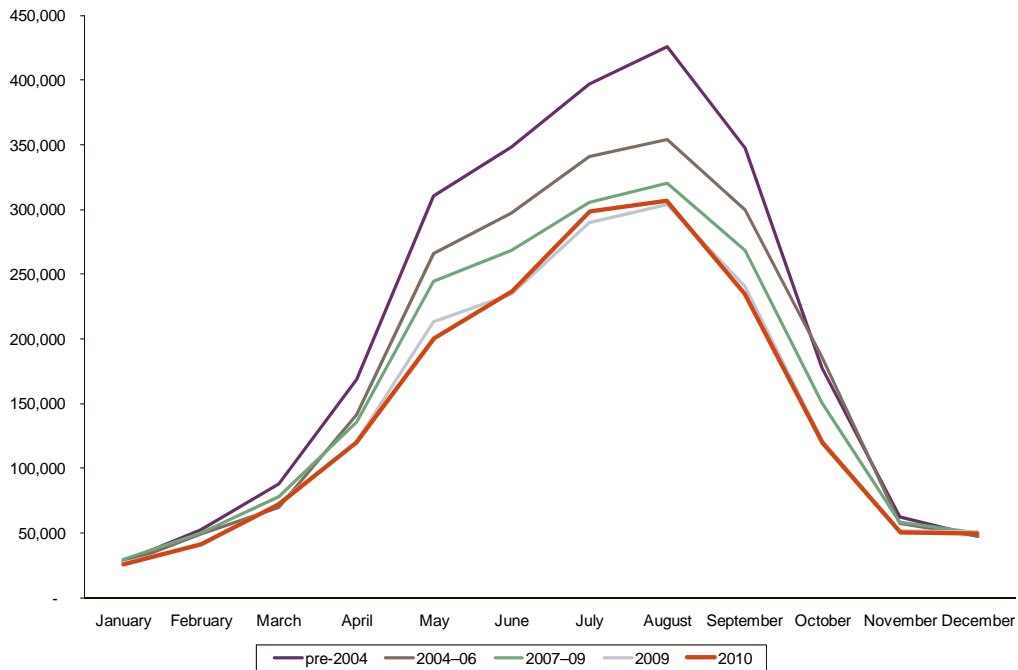
Source: Oxera analysis of bed occupancy rates.

**Results from the analysis of monthly volume data**

**The monthly volume data does not show any strong evidence of an immediate increase or stabilisation in the volume of SLVs from destination advertising.** Figures 3.18 and 3.19 below show the number of beds sold in each month in Jersey—Figure 3.18 presents the absolute numbers of beds sold in each month, while Figure 3.19 controls for the declining annual trends and presents the ‘monthly market shares’, calculated by comparing the volume sold in any particular month against the peak month (August) of the same year.

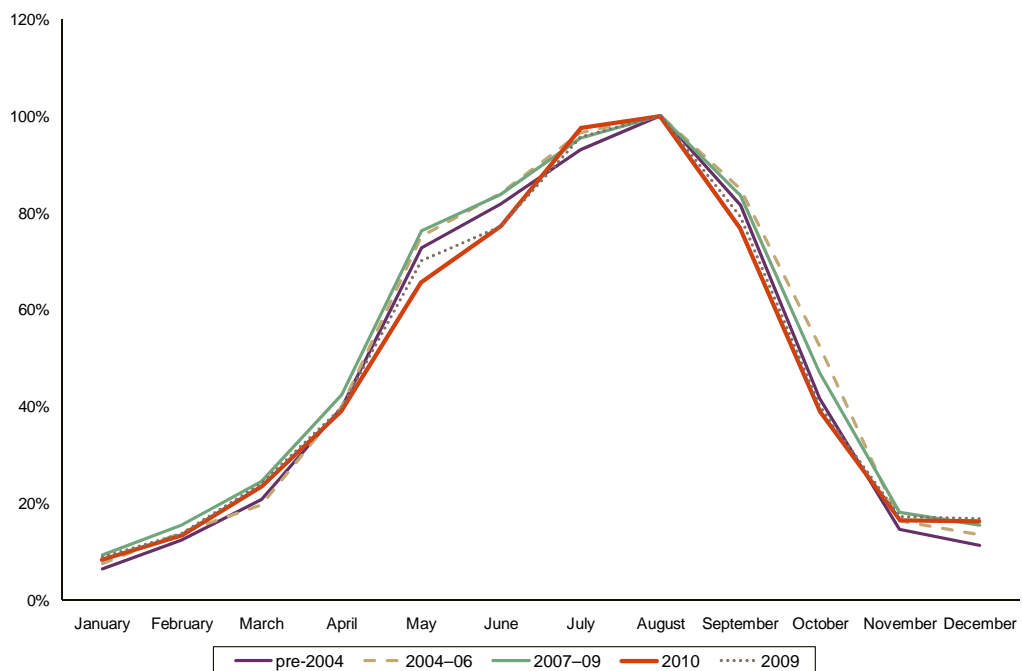


**Figure 3.18 Trends in the number of beds sold in each month in Jersey, 2001–10**



Source: Oxera analysis of data provided by Jersey Tourism on the number of beds sold each month.

**Figure 3.19 Trends in monthly 'market shares' of beds sold in Jersey, 2001–10**



Notes: The monthly market share compares the volume in each month of the year to the peak month (August) in each year.

Source: Oxera analysis of data provided by Jersey Tourism on the number of beds sold each month.

Figure 3.18 provides little direct evidence that destination advertising has a strong positive impact on visitor numbers. First, demand (as measured by beds sold) fell substantially between 2004 and 2010, despite the introduction, and then intensification, of (TV) destination advertising. However, since the decline is slightly more pronounced in the period 2004–2006, this does suggest that there may have been some positive impact from the intensification of advertising.

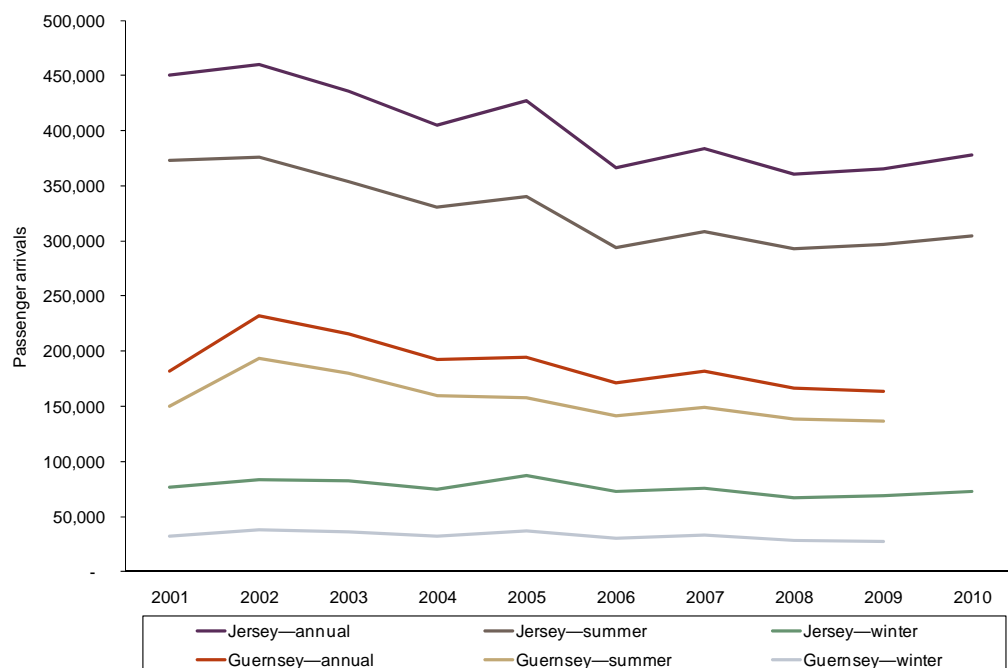
If advertising were effective at stimulating tourist activity, the impact on the number of beds sold in the summer months (when beds sold are most likely to be for tourists) would be higher than in the winter months (when beds are mostly sold to visitors not affected by destination advertising, such as business travellers). However, this is not visible in the data. After 2004, demand does not become more concentrated during the summer months—indeed, the peak in August softens between 2004 and 2006 relative to 2001 and 2004.

Monthly volume data also provides an opportunity to investigate whether the timing of advertising affects the timing of visitors. It has been suggested that the absence of TV advertising at the start of 2010 depressed early-season bookings, but that visitor numbers recovered after the July burst. If advertising does affect the seasonality of bookings, some evidence of this would be expected to be seen in the data, as well as an improvement in the early-season occupancy rates, for years when advertising starts earlier. There is no evidence of such a pattern. Figure 3.19 shows that the timing of visitors in 2010 matches the pattern in 2009 very closely, despite the very different advertising schedules, which suggests that this advertising has very little short-term impact on visitor numbers. An alternative explanation for the similarity of the 2009 and 2010 booking data is that, in early 2010, hoteliers sacrificed yield and cut prices in order to maintain volumes. There is some limited evidence of lower yields at the beginning of 2010, compared with 2009 (see Figure 3.27 below), but yields are also relatively low in 2011, when demand was higher than 2009.

### Results from comparing Jersey’s experience to comparable destinations

Guernsey data on SLV appears to be unreliable, and occupancy rates are not directly comparable to those in Jersey. As such, it is not possible to consider the immediate impact of advertising by Jersey on the volume of tourists to Jersey compared with Guernsey. However, by using (more reliable) total air and sea passenger data for both islands, it is possible to consider whether there is any substantial impact in the longer term. Overall, the data does not show a strong impact from destination advertising on the number of visitors—see Figures 3.20 and 3.21 below.

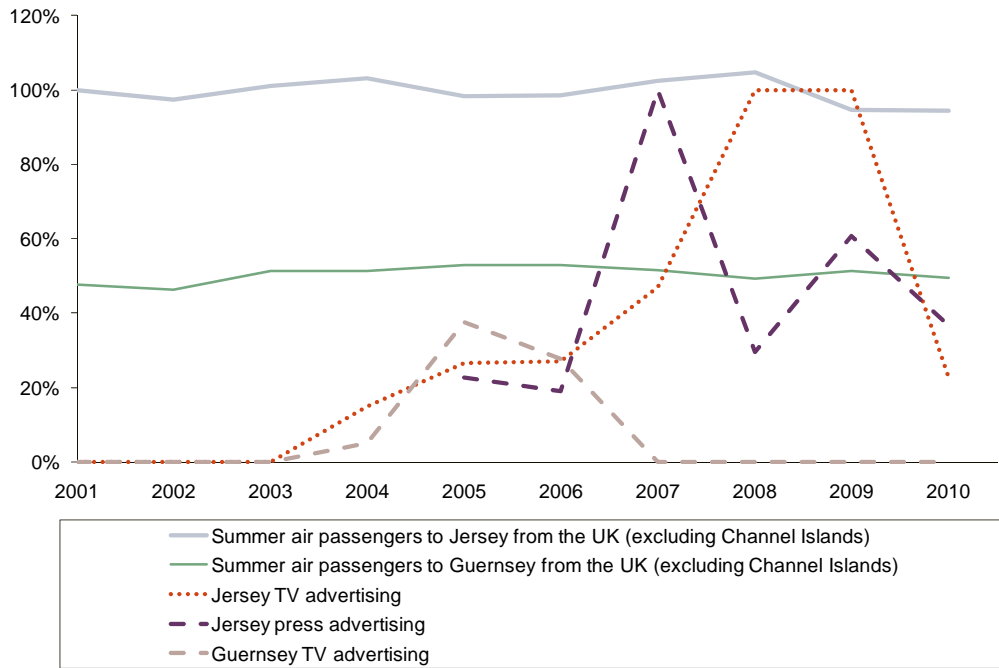
**Figure 3.20 Comparison of sea passenger numbers in Jersey and Guernsey, 2001–10**



Note: Guernsey monitors the total number of passenger movements, whereas Jersey monitors the number of arrivals. To improve comparability, the Guernsey data reported in the Figure has been halved.

Source: Jersey Tourism; Guernsey Policy Council, Policy and Research Unit.

**Figure 3.21 Comparison of changes in air passenger numbers and advertising intensity in Jersey and Guernsey, 2001–10**



Note: The figure presents relative changes in both advertising and air passenger volumes: air passenger volumes for both Islands are considered relative to the number of air passengers to Jersey in 2001; advertising intensity for both islands is considered relative to the peak intensity for Jersey, which for press occurred in 2007 and for TV occurred in 2008. CI, Channel Islands.

Source: Air passenger data is from the CAA, Aviation series; advertising intensity data is from Allied Media.

As shown in Figure 3.20, there was a decline in the number of summer ferry passengers to both islands between 2002 and 2006. This does not change after the introduction of advertising in Jersey in 2004, although the number of passengers visiting Jersey from the UK does improve after 2007, coinciding with the intensification of advertising.

Figure 3.21 shows that air passenger numbers to both islands have stayed broadly the same, but with annual volatility. Such volatility cannot easily be explained by any changes in advertising intensity or timing, but is more likely to reflect changes in operator flight preferred scheduling.

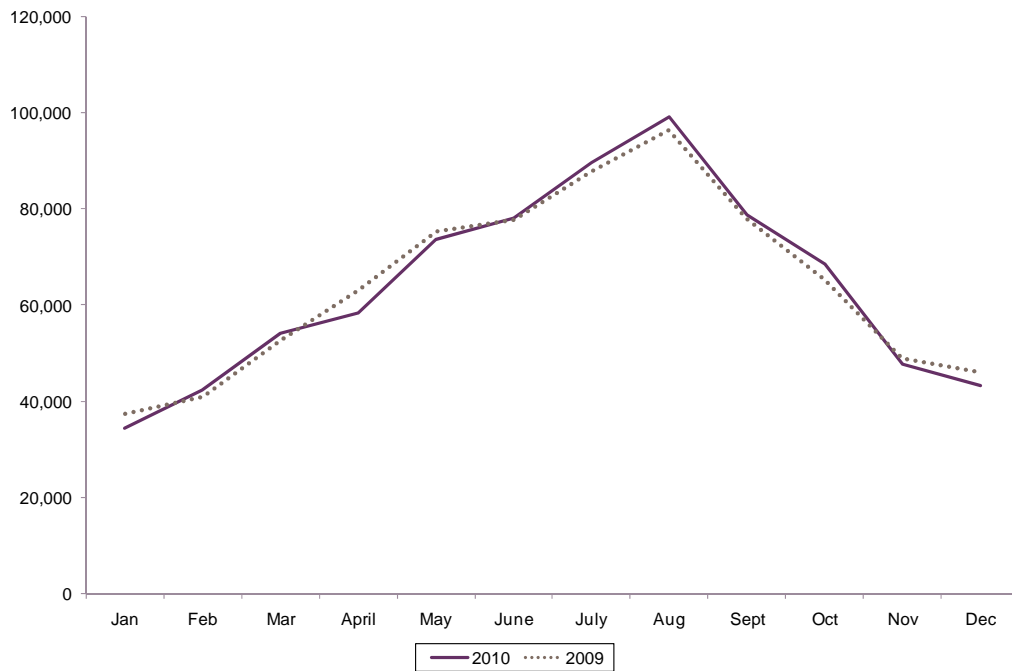
### 2010

In 2010 destination advertising followed a different pattern to that in 2009. In particular, as described above, after May 2009 there was no TV advertising until July 2010. If TV advertising has a short-term impact on actual visitors, the number of visitors would be expected to be lower at the beginning of the year, and then higher after the burst in July, compared with the number of visitors that would have come if the pattern of advertising had stayed the same as in previous years. Estimating the number of visitors that would have come, had advertising in 2010 followed a similar pattern to earlier years (2007–09), is not simple. In addition to advertising, other factors such as the exchange rate, the cost of transport to Jersey compared with similar destinations, and advertising by other destinations can all affect the number of visitors to Jersey each month, each year. However, a good impression can be established by looking at the pattern of visitors to Jersey in each month in previous years, and by comparing to Guernsey where at least some of the other factors influencing visitor numbers to Jersey also have an impact.

Figure 3.22 below plots the total passenger numbers for Jersey in 2009 and 2010 (excluding southbound ferry traffic as the TV advertising was only for the UK). As can be seen, with the exception of the period around April and May (which is when the volcanic ash cloud severely disrupted air traffic in Europe), the pattern and total number of passengers is very similar.

There is, however, an increase in total passengers in August, which, at least in timing terms, could have been as a result of the burst of TV advertising in July.

**Figure 3.22 Total UK arrivals to Jersey (air and sea), 2009 and 2010**

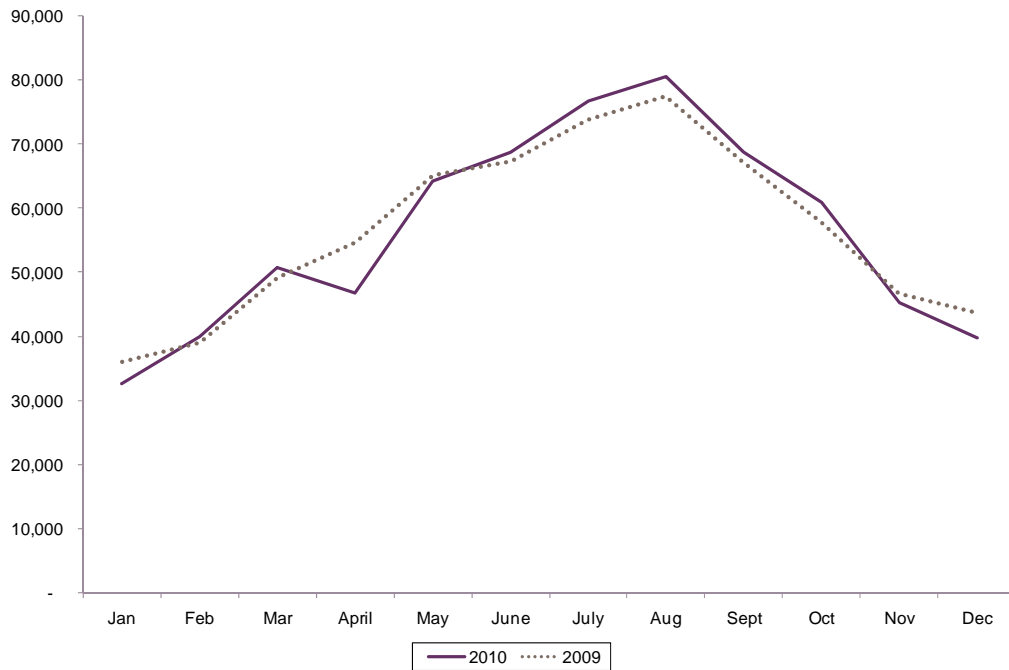


Source: CAA Aviation statistics series, Jersey Harbour

However, it should also be noted that the total passengers for June (and July) are very similar. The negative consequences of *not* using TV advertising in the beginning of the year do not seem significant. However, this may be because advertising using alternative media, such as posters, was effective at replacing the reduction of TV advertising.

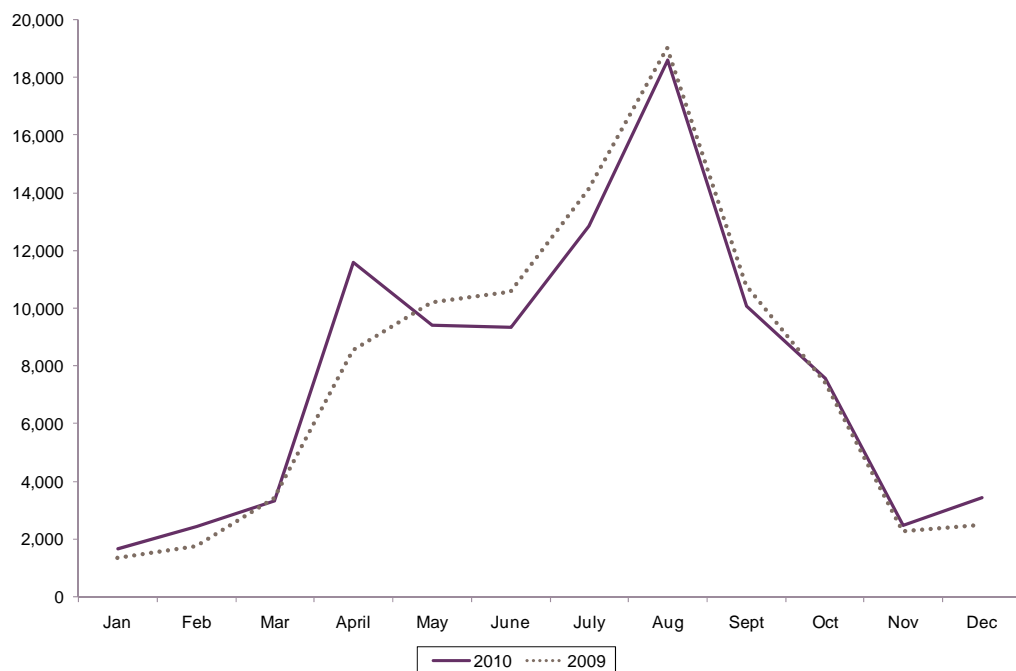
The results of decomposing the passenger flow into ferries (UK routes) and air routes excluding London (because London routes are more heavily dominated by business traffic) are shown in Figures 3.23 and 3.24 below.

**Figure 3.23 Air passenger arrivals to Jersey from the UK, 2009 and 2010**



Source: CAA Aviation statistics series.

**Figure 3.24 UK ferry passenger traffic**



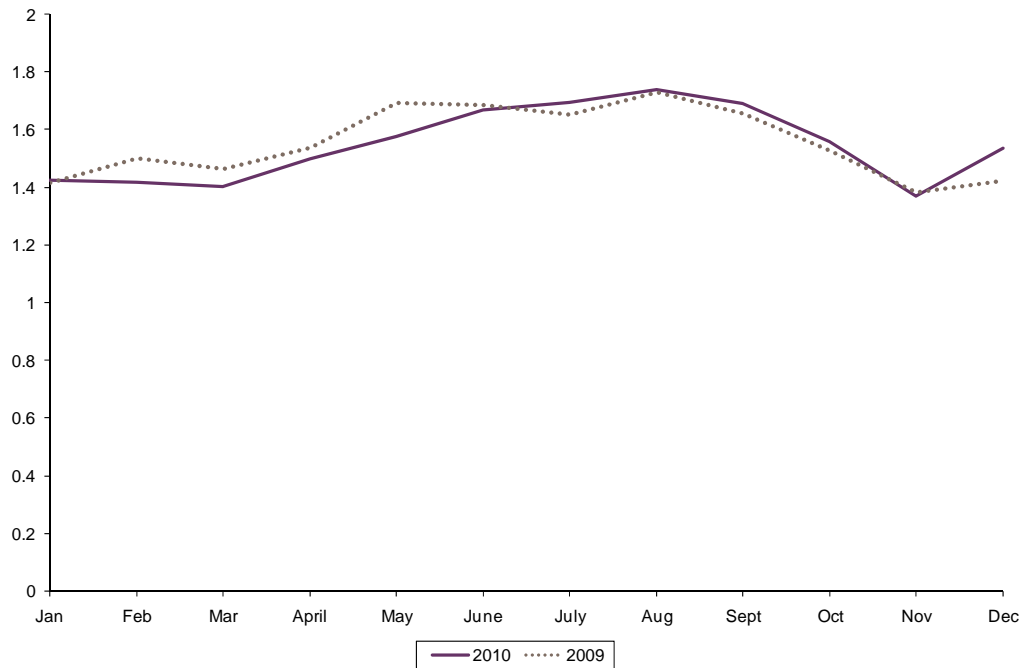
Source: Jersey Harbours

This data suggests that it is less clear-cut that the burst of TV advertising is the cause of the increase in passenger numbers. For non-London air routes (and, indeed, all air routes) numbers in 2010 start to run ahead of those in 2009 *before* the burst of TV advertising in July. On the ferries (to the UK) there is some movement towards the 2009 levels in August compared with June and July, but the effect is relatively weak.

By using Guernsey as a control the relative number of air passengers to Jersey and Guernsey can be compared. As the ash cloud will have impacted transportation links

similarly, that should not affect the comparison between the islands. Figure 3.25 shows that, compared with the previous year, Jersey received slightly fewer air passengers compared with Guernsey in the beginning of the year, and catches up with the 2009 relationship in the second half of the year.

**Figure 3.25 Ratio of Jersey air passengers to Guernsey air passengers, 2009 and 2010**



Source: CAA monthly passenger statistics, Table 2.10.

Although this is consistent with both the lack of TV advertising in the early part of the year having an impact on passenger going to Jersey and the TV burst in July impacting on subsequent demand, the recovery in the second half of the year occurs *before* the burst of TV advertising (the ratio in June 2010 has already achieved parity with 2009).

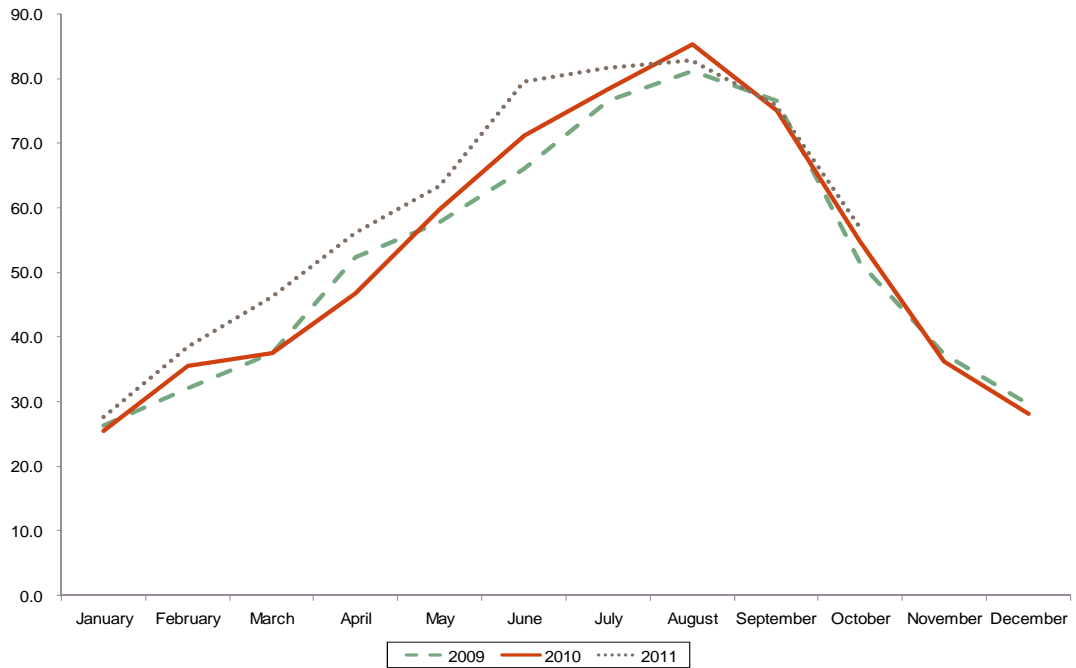
In addition, by looking at the comparison between the air passenger numbers going to Guernsey in 2009 and 2010, Jersey ‘underperforms’ in the first half of the year compared with Guernsey because Guernsey experiences a net increase in passengers in the first half of 2010 (except for the period of the ash cloud). This suggests that, unless Jersey not undertaking TV advertising in the first part of the year causes *more* people to travel to Guernsey, the pattern of TV advertising in 2010 does not have a very strong influence on the total number of passengers, at least over short time periods.

Lastly, the pattern of increasing numbers of visitors in 2010 compared with 2009 is mirrored in the number of outbound UK visitors to all destinations. In 2010, UK residents’ visits (for all reasons, business and leisure) to the EU15 were below the 2009 levels until June, and then picked up to 2009 levels in July and August, before falling back below 2009 levels in September. In relation to just holiday visits by UK residents to all destinations (ie, excluding business and visiting friends and relatives), the first two quarters in 2010 were below 2009 levels (~10% down) before picking up in the third quarter (~1% down) and fourth quarter (~3% down). Some of the upturn experienced in Jersey may therefore be a reflection of the general trend of outbound UK visitors rather than a specific response to Jersey TV advertising.<sup>36</sup>

<sup>36</sup> ONS Monthly Overseas Travel and Tourism, November 2011, Available at <http://www.ons.gov.uk/ons/rel/ott/overseas-travel-and-tourism---monthly-release/november-2011/index.html>

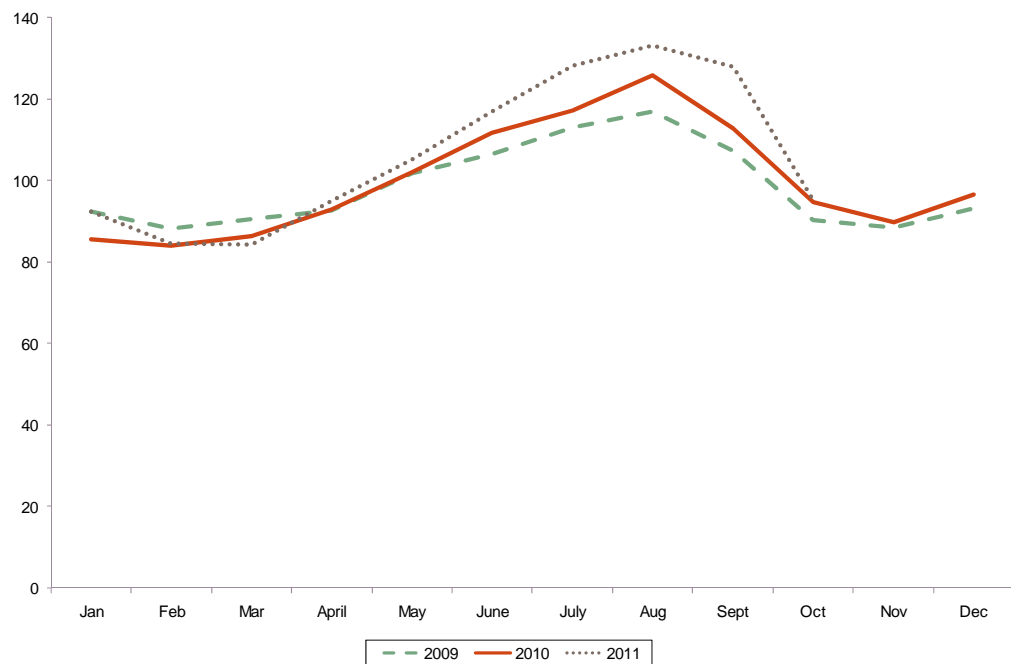
Rather than having an impact on the number of visitors, it is also possible that a burst of TV advertising would manifest itself as change in the yield per occupied room in accommodation, rather than in a (noticeable) increase in the number of visitors. Detailed information is available at an aggregate level for 9 major hotels in Jersey, with over 1,000 rooms between them. This represents around 20% of the total, and this sample is concentrated at the upper end of the hotel stock. Figure 3.26 shows the comparison of 2009, 2010 and 2011 for the occupancy rate, and Figure 3.27 shows the average yield (indexed, not inflation adjusted).

**Figure 3.26 Occupancy rates of selected Jersey hotels, 2009–11**



Source: STR Global data, Oxera analysis.

**Figure 3.27 Indexed average yields per room of selected Jersey hotels, 2009–11**



Source: STR Global data, Oxera analysis.

As can be seen by these two figures, the major change between 2009 and 2010 occurs prior to the burst of TV advertising, and shows a similar pattern as the air passenger data (Figure 3.23). It is possible that there is a mild upturn in the yield in 2010 compared with 2009 between July and August, but given the noise in the data it would be a high risk to rely on this as evidence of a link between the burst of TV advertising and an increase in yields, particularly if this is the only evidence available.

On another, more limited, dataset that captures some of the other hotels in Jersey (ie those not reporting their results to STR Global), a similar pattern emerges.

Moreover, if the burst of TV advertising does increase the yields without increasing the number of visitors (or if this is the main effect) the impact on the wider economy of the TV advertising is potentially reduced. Unless the TV advertising displaces one potential visitor for another visitor who, very generally, is willing to pay (spend) more, the benefits of the advertising will accrue almost entirely to the hotels, as there will be minimal change in the total visitor spend in the Jersey economy. Indeed, if these visitors have a total budgetary constraint on their visit, it is possible that they will spend *less* in the local economy, as a result of spending more on their accommodation.

When all the different elements of the analysis are taken together the overall picture indicates that the TV advertising has not had a significant *immediate* and direct effect on the volume of beds actually sold, nor on the average yields. Given the nature of the data, a small effect can not be ruled out. And crucially, this very short run analysis can not rule out a more significant longer term impact of TV advertising.

#### 3.2.4 Longer perspective

Although not the primary purpose of this analysis to evaluate the impact of destination advertising, it may be instructive to place the flow of SLVs to Jersey in the context of the total flow of outbound holiday-makers from the UK.

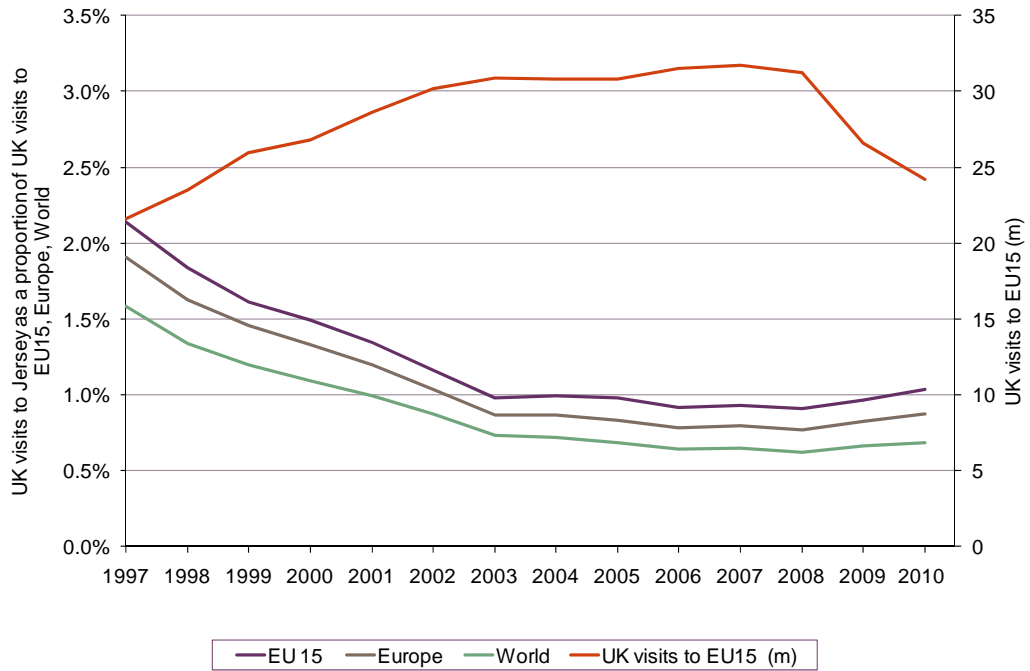
Figure 3.28 expresses the number of UK SLVs to Jersey (taken from Figure 3.15 above as a percentage of the total number of holiday visits per annum made by UK residents to the EU15, wider Europe (including the EU15) and the world total. Also included (based on the right-hand scale) is the total number of UK visits to the EU15. As can be seen, before 2004, the total number of visits by UK residents away from the UK was rising, while the total visits to Jersey was falling, resulting in a steep decline in the proportion of UK-based visitors going to Jersey. After 2004, the increase in total visits away from the UK tends to stabilise, as does the number of visitors to Jersey. So, from attracting a shrinking number of visitors from a rising total, Jersey manages to stabilise numbers from a more stable total.

After 2008, the total number of visits away from the UK starts to fall, and, although the numbers of visitors to Jersey also falls, it does so less fast than the total, resulting in an *increase* in the proportion of the total that visit Jersey.

This suggests that Jersey has managed to stabilise its tourist offering since 2004 compared with the period before then. In addition, if the trend in the last few years can be maintained when the UK economy comes out of its economic crisis then absolute demand may even start to increase. However, it would be important to establish whether the relatively better performance of Jersey since 2008 is a result of Jersey's product better meeting customer demand (or being better targeted at that demand) rather than itself being a result of the economic downturn in the UK, as the answer to this question would have significant implications for tourism policy.



**Figure 3.28 Visitors to Jersey from the UK compared with UK visitors to other destinations**



Source: Jersey SLV numbers from Jersey Tourism; UK numbers from UK ONS, Travel Trends, various years, table 3.03. Oxera analysis.

### 3.3 Summary

The objective of destination advertising is to increase the value of tourism on Jersey. It aims to do this by first increasing awareness of Jersey as a tourist destination, provoking interest, and crucially, stimulating a decision to visit (or stay longer in) Jersey.

Analysis of past changes in the use and intensity of different advertising media provides evidence that destination advertising can have a significant effect in stimulating awareness and interest in Jersey. For example, web activity rose substantially immediately after the burst of TV advertising in July 2010.

The visitor survey and tracking surveys also provide valuable insight into the effectiveness of different media. For example, Jersey.com has been an important influence for a large, and increasing, proportion of Jersey leisure visitors; press advertising has been effective in terms of maintaining awareness through the winter; and TV advertising has been effective at stimulating immediate interest, as measured through web activity.

The study of past changes in the use and intensity of different mediums of advertising does not, however, provide strong evidence that, in terms of the number of visitors to Jersey, destination advertising has a particularly strong or immediate impact—at least, not an impact sufficiently substantial to stand out from the general volatility in visitor numbers. However, neither does the data conclude that there could not have been any impact in terms of the number of visitors or the duration of their stay, particularly over longer timeframes. There are indications that those actually visiting Jersey see TV advertising (and information on the Internet) as being increasingly important in influencing the decision to visit Jersey. The lack of a control group over these longer timeframes means, however, that estimating the size of that influence in terms of increases in the number of visitors is difficult, if not impossible.

Given the lack of strong evidence that advertising is effective at stimulating visitors in the short term (in the same season), it is recommended that resources allocated to advertising Jersey as a tourist destination focus on the long-term positioning of Jersey as a tourist destination rather than as a means of addressing short-term fluctuations in visitor demand.



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