

INVESTING IN TOURISM'S FUTURE

**Lodged au Greffe on 13th November 2001
by the Tourism Committee**



STATES OF JERSEY

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PROPOSITION

THE STATES are asked to decide whether they are of opinion -

- (a) to receive the report of the Tourism Committee dated 25th October 2001 concerning a New Tourism Investment Fund and to agree, in principle, that the sum of £10 million be allocated to the Fund;
- (b) to agree that the New Tourism Investment Fund will be used to implement the tourism strategy "Tourism Adds Value" in each of the following two areas -
 - (i) public and voluntary sector projects and infrastructure works,
 - (ii) initiatives designed to stimulate investment in improved distribution channels by more effective use of information technology and marketing development initiatives;
- (c) to charge the Finance and Economics Committee to identify the appropriate source of funding;
- (d) to request the Tourism Committee to develop further a policy to address the quality and competitiveness of the supply of tourist accommodation in the Island, including the possibility of financial support for prime sites and/or Tourism Destination areas as proposed in the draft Island Plan.

TOURISM COMMITTEE

Note: The Finance and Economics Committee, after considerable discussion and deliberation, is in support of the proposals, as it considers that the investment in the Island's second largest industry is important if it is to be protected and maintained as a viable contributor to the economy in the longer term. The Committee has taken the view that this is a strategic investment, necessary if the Island is to maintain a balanced economy and not to become over-reliant on one industry sector.

However, the cost of these proposals, at £10 million, is a significant sum, for which no allowance has been provided in the 2002 cash limits, as proposed by this Committee in the Resource Plan, and no provision has been made in the expenditure forecast for 2003 and 2004.

Should the States agree to these proposals, the Finance and Economics Committee will recommend £2 million per annum allocation from the Capital Programme for the years 2003 to 2007.

The Committee agrees with the Tourism Committee that it is important to ensure that public money is being spent wisely and that value for money is being achieved. Accordingly, it supports the programme being subject to a rigorous project appraisal and assessed against criteria and priorities. Successful projects must be monitored and evaluated to ensure that conditions are being met and that objectives and outcomes are in line with the principles of the scheme, as set out in the proposed criteria.

REPORT

Investing in Tourism's future

During the course of the States' "In Committee" debate on 24th October 2000, strong support was indicated for the new Tourism Strategy "Tourism Adds Value" which plots a course for the industry for the next ten years. The strategy cannot be achieved, however, without a strong commitment from both the public and private sectors and a willingness to invest in the future of tourism.

The Tourism Committee, in recognition of the importance of the industry, is seeking financial support through the mechanism of a new Tourism Development Fund in order to stimulate private sector investment and develop the tourism infrastructure Jersey needs to reposition itself as a leading and quality destination.

Tourism is important for Jersey's future prosperity

Until the results of the economic modelling exercise are available, there will be some uncertainty over the detailed economic impact of tourism. However, the view that tourism plays a vital role in Jersey's economy and in supporting transport links cannot be disputed.

Year on year, tourism -

- generates around £250 million of "exports", in the form of visitor spending;^[1]
- accounts for somewhere between 20 per cent to 25 per cent of the Island's GDP;^[2]
- employed a total of 7,280 people in the hotels, restaurants and bars sector in the quarter to June 2000;^[3]
- sustains many small businesses, many of which have no direct link with visitors;
- underpins a range of services and infrastructure which benefit local residents and businesses (including the finance sector) and improve the quality and richness of life.

Tourism plays a key role in underpinning the States' agreed objective of a diversified economy. It is the only industry capable of offering a counterweight to the finance sector, and provides an immediate and essential alternative if the finance sector contracts. Opportunities for economic development on a small Island are necessarily limited. Tourism is an activity which is growing worldwide, and in which Jersey has a strong track record and considerable advantages and expertise. It exploits natural assets and with careful management is sustainable in the long-term.

For all these reasons, maintaining a viable tourism industry makes sound common sense and is prudent economic management. It is worth remembering that other countries are actively seeking to create what Jersey already has in place.

Tourism will not have a future unless it invests in the product

Tourism is a fast-moving industry and the competitive advantage that Jersey had in the decades immediately following the Second World War has gradually eroded as horizons have broadened and new destinations opened up. Tourism is essentially market-driven, and unless Jersey can offer its visitors the experience they are looking for, they will go elsewhere.

Pressures for change come from several directions -

- Although tourism is growing, so is the competition. New products and new destinations are being developed all over Europe, whilst the fastest growing sector of tourism is long-haul, to new and exotic destinations on the other side of the world. These developments are creating new markets and setting the benchmarks against which Jersey will increasingly be judged.^[4]
- Visitor aspirations and expectations are growing in line with increasing prosperity. People are now more sophisticated, better travelled and more discerning, and as a result are demanding higher quality. Ten years ago, for example, ensuite bedrooms were desirable, now they are essential!
- Patterns of tourism are changing, and whilst some doors are closing, at the same time new market opportunities are emerging. We are catering for an ageing but more active population. There is a demand for shorter and more flexible holiday taking, and customers are less loyal and predictable.

If the tourism industry is to survive and prosper, it must adapt and change to meet these changing requirements. Jersey's future undoubtedly lies in providing a distinctive and high quality experience. However, much of Jersey's accommodation stock now appears old-fashioned and suffers from a lack of investment, whilst other elements in the visitor package fall well below the standards seen elsewhere. Whilst Jersey's Island status contributes to its appeal, it has also led to isolation and complacency and tended to stifle innovation, investment and change.

Without adequate investment in the tourism product, there is a danger of being caught in spiral of decline from which it will become increasingly difficult to break out.

Investment in the past decade

The States have made a significant investment in the public infrastructure, notably public sector projects, which benefit the Island in general as well as visitors. These include -

- the new airport terminal, new terminal facilities at the harbour and new ferries;
- a new marina;
- new Maritime Museum and improvements to Jersey Museum;
- Les Creux Country Park;
- refurbishment of the Opera House;
- creation of Les Jardins de la Mer on reclaimed land;
- creation of Liberation Square and further pedestrianisation of the town area.

Notable private sector projects include -

- major investment at the Living Legend, Jersey Pottery and Jersey Zoo and the German Underground Hospital;
- major projects at the Longueville Manor, Atlantic, Hotel de France, Merton, Pomme D'Or, Golden Sands, Royal Hotel, Merlin and Mariner Apartments and others;
- investment in ensuite facilities. The number of ensuite hotel rooms increased by 581 over this period (98 per cent of all hotel rooms are now ensuite).

These are all good, worthwhile projects, which have helped to maintain Jersey's appeal and have benefited residents as well as visitors. The evidence is that those enterprises which have invested are the ones that are able to face the current and future challenges best and meet the needs of visitors.

Nevertheless, the scale of investment is not exceptional, and is exceeded to a large measure by competing destinations. Particular areas of concern are the amount, quality and range of the accommodation stock (no new hotel has been developed in Jersey for 30 years), the quality of some of the visitor attractions, and the general environment, particularly in St. Helier.

Jersey cannot afford to let up, in terms of investment, if it is to keep pace with the market leaders.

What the competition is doing

Significant investment is taking place in competing destinations. Huge sums have been ploughed into new infrastructure and the upgrading of established destinations such as Majorca (£75 million was invested in improvements in the resor area of Calvia alone, in the period 1989-1993). Major public sector investments have also been made in cities such as Barcelona (£95 million in 1999) and Bilbao (16 billion ecu), transforming them into new and exciting visitor destinations.

The Third World is also rapidly catching up, with new and exotic destinations being developed. [\[5\]](#)

Investment in tourism facilities and infrastructure is commonly boosted in other countries by the existence of grants and other financial incentives, as the following examples show -

- European Union funding has been used extensively in the United Kingdom, Ireland and other member states to fund tourism projects. The scale of this is huge. It is estimated that in the period 1994-1999, the European Union contributed some 7.3 billion euro (£4.4 billion) to tourism projects. Examples in the United

Kingdom include £23 million to Millennium Point, a new technology attraction in Birmingham.^[6]

- The National Lottery has developed into a major source of funding for tourism infrastructure in the United Kingdom. It is estimated that since its inception in 1995 it has contributed some £5.9 billion to arts, sports heritage and Millennium projects. Much of this funding has gone to projects with a tourism spin-off. Examples include £64 million to the Lowry Centre in Manchester, £50 million to Tate Modern in London £38 million to the renaissance of Portsmouth Harbour.^[7]
- The United Kingdom Single Regeneration Budget (£5.5 billion since 1994) has also been used as a source of funding for tourism projects. Examples include £20 million towards a new convention centre in Blackpool and £1.7 million to tourism projects along Hadrian's Wall.^[8]

Whilst much of this funding has gone to public sector, or not for profit organisations, there are also grant schemes and other incentives available to the private sector -

- Wales Tourist Board has an annual budget of £3.15 million available for financial assistance for both public and private sector projects. 123 projects received funding in 1999/2000. Examples of private sector projects include Trefiddian Hotel, Aberdyfi (£250,000) and Mumbles Pier (£250,000). The new St. David's Hotel in Cardiff Bay received some £4 million in grants, of which £3.5 million came from the Cardiff Bay Development Corporation and £300,000 from WTB.^[9]
- Northern Ireland Tourist Board has an annual budget of £4.4 million for its Tourism Development Scheme for the development of accommodation and visitor facilities. In addition, it administers £5.6 million from the European Union to support tourism projects.^[10]

Although the above examples relate to the United Kingdom, there are examples of similar schemes in many other European countries.

It is clear from the above that the tourism playing field is far from level, and that the Jersey Tourism industry is at a disadvantage when compared to key competitors.

Barriers to investment

There is cause for concern as to whether future investment in the tourism product in Jersey will take place at anything like the level required.

Due to pressures on land and controls on inward investment, Jersey is almost entirely dependent on investment by indigenous tourism businesses. This is not the case in most mainland destinations, where there is a natural flow of investment from outside the immediate area.

Confidence within the industry is also at an all-time low. Tourism has shown a significant decline since 1997, with a 15 per cent drop in leisure staying visits (1997-2000). Visitor bed space availability from 1997 to 31st August 2001 has declined from 20,738 to 16,388, a decline of 4,350 (21 per cent). Hotel occupancies, which had been broadly stable over the 1990s, fell by three percentage points in the same period, and there are indications that occupancies were only being maintained at the expense of achieved room rates.^[11]

Building costs are significantly higher in Jersey than in the United Kingdom. This, coupled with the high cost of borrowing, makes improvements uneconomic and deters investment. Whilst robust projects can still raise finance, there is some evidence to suggest that banks are becoming more reluctant to lend to marginal businesses in the tourism sector, which is seen as a low return and high risk.

High fixed operating costs, the difficulties of recruiting and retaining staff, and the current downturn in business have caused many operators to leave or consider leaving tourism. This situation is encouraged by the fact that due to the rise in house prices (house prices as measured by the Jersey House Price Index have increased by 150 per cent over the past decade) most hotels are now worth more in residential than hotel use. This is reflected in the continuing loss of hotel accommodation. As a result, many businesses are in urgent need of a confidence boost in the future viability of tourism in Jersey.

Whilst the accommodation sector has been particularly badly affected, other sectors of the tourism industry are also suffering.

A further concern is that measures to be taken to control inflation will constrain both private sector projects as well as

investment by the States in much-needed infrastructure and improvement.

All in all, the prospects for investment in the industry in the immediate future look uncertain. The concern is that without investment now, the industry will fall even further behind, and be unable to capitalise on any upturn in tourism when it comes.

Prime sites and Tourism Destination Areas

The consultation draft of the Jersey Island Plan prepared by the Planning and Environment Committee, which is yet to be debated by the States, refers to both prime sites and Tourism Destination Areas where tourism properties or facilities might be protected against change of use. In the case of prime sites, the model is already in existence which evaluates each property against a variety of criteria in the event of an application for change of use. Resistance to the loss of hotels and guest houses in key locations is considered to be of prime importance, as once lost to other development these prime locations are lost forever. The new Island Plan therefore seeks to retain these important sites within the tourism industry.

St. Brelade, St. Aubin and Gorey have been proposed as Tourism Destination Areas where there will be a presumption against the change of use of a property from a tourism support facility to a non-tourism-related use. However, environmental enhancement to the public realm will be supported, and improvements to accessibility for pedestrians, cyclists and public transport users is generally supported. It is envisaged that Tourism Destination Areas will therefore be in receipt of public expenditure in order to maintain their attractiveness and enhance the value of public amenity.

Once these policies have been established, and if agreed by the States, the Tourism Committee will be seeking to bring a policy to the States linked to possible financial support for prime sites and/or Tourism Destination Areas.

The Tourism Investment Fund

The principle of supporting investment in tourism infrastructure was established several years ago with the creation of the Tourism Investment Fund in 1995. A sum of £10 million was allocated from the Strategic Reserve to support capital projects which “*have a direct effect on the tourism industry and will normally include those projects not in the States Capital Development Plan*”. The Finance and Economics Committee were given overall responsibility for the Fund and a Sub-Committee established to review applications. Appraisals were carried out by the Treasury and Tourism Departments, whose representatives sit with industry leaders to consider applications for funds.

Tourism Investment Fund Status Report as at 31st May 2001

	£	£
Funds Transferred from Strategic Reserve		
10,000,000		
Additional funds agreed by the States		8,000,000
Interest		
1996	506,919	
1997	586,251	
1998	611,229	
1999	697,898	
2000	687,289	
2001	59,284	<u>3,148,870</u>
Total available		21,148,870
Less projects agreed - see below		<u>19,148,000</u>
Balance of funds		<u>2,000,870</u>
Leisure Pool		(1,090,000)
Christmas lights		(35,000)
		<hr/> £875,870 <hr/>

Projects supported by the Tourism Investment Fund 1995 - 2000

	£
Maritime Museum	1,200,000
Dolphin Sculpture	20,000
Lighting - St. Aubin	25,000
Coastal Walk	46,000
New North Quay - Furniture/exhibits	100,000
Disabled Ramp - St. Brelade	12,000
New North Quay - Steam Clock	150,000
Les Jardins de la Mer Café	250,000
Cycle Network	617,000
Mont Orgueil Castle - planning	77,500
Jersey Wildlife Preservation Trust	1,200,000
Havre des Pas Pool	1,140,500
German Occupation Structures - info points	35,000
Centre Ville - Royal Square and information displays	250,000
Les Creux Bowls	125,000
Leisure Pool	10,900,000
Mont Orgueil Castle Refurbishment	3,000,000
Total	19,148,000

Finance and Economics Committee Audit Review of the Tourism Investment Fund

Following an earlier report in 1998, in February 2001 the Audit Committee reported following a value for money review on the operational and administrative arrangements of the Tourism Investment Fund, having assessed whether the current arrangements ensure that the expenditure of the funds is subject to adequate control and represents best value for money, whether follow-up recommendations made in a previous audit report on the Tourism Investment Fund to improve efficiency, effectiveness and economy, whether schemes were meeting the objectives and strategic aims of the States.

The summary findings of the audit were -

- the Sub-Committee might be too large to operate effectively;
- aims and objectives were not clearly set down;
- there were no procedures to ensure that aims and objectives were met;
- full appraisals were not carried out;
- effective monitoring procedures were not in place;
- there were excess financial demands on the fund;
- not all funding approvals had been notified to the Finance and Economics Committee;
- the operational procedures were weak in ensuring that value for money was achieved.

The audit report concluded that there was a high risk that the aims and objectives of the fund would not be met, that value for money would not be achieved and that the Finance and Economics Committee would be faced with increased demand for financial support for the fund. The highest risk was the uncertainty that the investment was achieving what it was meant to achieve when compared to alternative strategic aims of the States. The report went on to recommend that the Tourism Investment Sub-Committee -

- clearly set down its aims and objectives;
- established priorities, appraisal criteria and performance measures;
- monitored the effectiveness of its decisions;
- forwarded minutes of all meetings to the Finance and Economics Committee.

It was also recommended that the Finance and Economics Committee support no further increases to the fund until such time as the recommendations were implemented.

The summary of the report concluded that -

- the terms of reference for the “New Tourism Investment Fund” be finalised at the earliest opportunity. These should include clear, measurable aims and objectives for the fund;
- a formal measurement of success criteria should be identified at the approval stage of each project, to enable a meaningful post-implementation review to take place, if necessary by a third party;
- funding should be made in accordance with the agreed terms;
- regular reports are required from the recipient of the funding to monitor the profile of expenditure against funding and on progress of projects;
- in instances where significant funding is issued in advance of the commencement of the projects, it should be confirmed that interest earned will form part of the funding.

The Tourism Committee and the Tourism Investment Fund as previously constituted have both formally agreed to accept and implement these recommendations.

The way forward

It has been recommended and agreed that the Tourism Investment Fund should change its name to more accurately reflect the activity which it undertakes. It is therefore suggested that it be known as the Tourism Development Fund.

An expanded Tourism Development Fund

The Tourism Development Fund should be seen as a method of providing confidence and generating enthusiasm for the tourism industry, whilst also addressing issues of quality and competitiveness. Jersey will also have to meet the challenges of providing value for money in an ever more competitive market place. Public investment in the Island’s infrastructure will benefit both the visitors and resident communities and should inspire a sense of pride in the Island.

The Tourism Strategy recognises that the Island will have to meet a number of key challenges if a viable and sustainable tourism industry is to be achieved. These are to -

- increase the overall value of tourism to Jersey by gradually attracting a different mix of visitor with more higher spending visitors;
- maintain the overall volume of visitors at around the current level but allowing for a slight fall in bed nights;
- increase activity in the winter and shoulder months in order to achieve an even spread across the year;
- broaden and diversify the market base to spread the risk and even out the peaks and troughs;
- improve and invest in the product if these objectives are to be achieved.

We envisage that the projects which will be supported by the new Tourism Development Fund will underpin the delivery of the Tourism Strategy.

Proposed criteria for the new Fund -

- (1) That funding must meet with the objectives of the Tourism Adds Value Strategy.
- (2) That funding will only be agreed when compliance with the objectives of overall strategy as agreed by the States can be demonstrated.
- (3) That funding projects in excess of an agreed amount would have to be referred to the Finance and Economics Committee.
- (4) That infrastructure projects should demonstrate benefits to the resident as well as visitor communities and these benefits should be measurable and reported on at regular agreed intervals.
- (5) That the development fund should be used as a method of encouraging the growth of private sector investment specifically in areas of activity identified in the Tourism Strategy.
- (6) That preference should be given to projects which have vision and which might be considered as those which make a significant difference to how the Jersey product is positioned and perceived.
- (7) That projects should benefit the Island community at large and should facilitate generation of significant levels of private/commercial investment.
- (8) That the reporting procedure by the Tourism Committee to the Finance and Economics, Policy and Resources and Industries Committees will take place every six months and will include performance details on each project matched against objectives. An annual report will also be presented to the States. The administration of this will be undertaken by the Tourism Department.

The scope and nature of the scheme

It is proposed that the funding will be split to meet the core objectives set out in the Tourism Strategy with projects falling into two categories -

- A Public and voluntary sector projects and infrastructure works.
- B Initiatives designed to stimulate investment in new technology and marketing development initiatives.

All projects will be considered in the context of the strategic objectives which have been identified.

- The need to improve quality and project this as a key element in the Jersey offer. People will pay a premium for quality.
- The need to develop tourism which is sustainable, both in the commercial and environmental sense and adds to the quality of life for the people of Jersey.
- The need to become more customer focussed and market aware. Tourism will only flourish if we are meeting people's needs and are responsive to market change.

- The need to be competitive with other destinations if we are to win and hold businesses. This means being more open to ideas and innovation.
- The need to work in partnership. Tourism crosses many boundaries and we cannot move forward if we are all pulling in separate directions. Success will require the active involvement of the States and the tourism industry.

A. Public and voluntary sector projects and infrastructure works

This element of the scheme would be an extension of the existing work of the TIF and aimed at supporting projects such as the Botanic Garden, conference facilities, golf and bowls activities and major sign schemes and environmental works. These projects could make a crucial contribution to the attractiveness and appeal of Jersey as a tourist destination, and would be unlikely to proceed without support from the fund. The aim will be to stimulate new investment rather than replace existing sources of funding from mainstream programmes.

Eligible projects could include -

- Projects which will have a major impact on enhancing the distinctiveness of Jersey and improving environmental quality.
- Improvements to existing attractions and facilities.
- Major infrastructure projects necessary to support, manage and facilitate tourism such as transport and signage.
- Projects to improve the presentation of, and access to, the Island's heritage.
- Identified new attractions or developments which are capable of generating new visitors to Jersey and which fit with the Island's image and appeal.
- Arts and sports projects which will benefit visitors.

The Tourism Strategy identified a number of specific projects which would benefit from the Fund -

Environmental improvements: specifically, the appearance of the countryside and the coast can be improved through higher quality of co-ordinated signs, beach furniture, etc.; improvements to key tourism sites - St. Aubin, St. Brelade an Gorey - would all benefit from improved public areas, better furniture, traffic calming and other measures. Victoria Avenue, as a primary tourism route, is also in urgent need of upgrading.

Improved bus facilities: including a transport interchange, round-Island bus route and bicycle facilities to be fitted to buses.

New star attraction: such as a botanic garden. The possibility of combining a new Botanic Garden with an existing facility is also recognised, but the facility would have to be of a very high quality and be capable of generating new special interest visitors to the Island.

Conference facilities: the infrastructure of the Island is in urgent need of upgrading in order to meet the needs of conference and incentive visitors. Further investigation of the redevelopment of Fort Regent to improve its conference provision and/or the development of new facilities on the St. Helier Waterfront should both be considered.

Sports and recreation: additional high quality indoor bowls facilities and a new 18 hole golf course have both been given a high priority for a number of years and both would be capable of generating volumes of higher spending off-season visitors.

B. Initiatives designed to stimulate investment in new technology and marketing development initiatives

This element is the smaller and is designed to help take forward aspects of the Strategy which might be neglected for want of funding. These might include market development, support to events, small-scale commercial initiatives and quality improvements. The fund will be administered through Jersey Tourism rather than given direct to individual businesses, although businesses and other States' agencies are likely to be partners in any such initiatives.

The priorities for investment will be in line with those identified in the Tourism Strategy, but could include initiatives such as -

- On-Island market development initiatives undertaken by Jersey Tourism in association with community or

commercial interests in Jersey such as the new visitor attractions group.

- Support for training and business development initiatives aimed at the tourism sector.
- Support to establish or improve events, festivals and sports activity.
- Developing the marketing potential of the Internet.

The Tourism Strategy specifically identifies -

Events infrastructure: supporting a quality events infrastructure, e.g. events arena, events capital equipment, Battle of Flowers Centenary, International Air Display.

Festival decorations: quality decorations to be used during festivals and events, possibly banners, flags, fixings, etc. to promote the event and enhance the appearance of Jersey while major events are taking place.

Information systems: an intranet site and public information developments, including kiosks at the Airport and Harbour, would provide higher quality public information and help secure a better experience for our visitor and facilitate lower staffing levels within hotels and tourism information offices.

On-line booking services: to include ticketing and booking for tourism festivals and events and on-line information kiosks.

Management and operation of the scheme

It is proposed that a new Sub-Committee be formed answering to the Tourism Committee. Day-to-day administration and management of the fund will rest with Jersey Tourism, and the Treasury will be the auditors.

Membership of the Sub-Committee will have a political and trade body mix, be widely based and representative of the tourism industry in its broadest terms.

It will be important to ensure that public money is being spent wisely and that value for money is being achieved. Applications will be subject to a rigorous project appraisal and assessed against rigorous criteria and priorities to be formulated and agreed. Successful projects will be monitored and evaluated to ensure that conditions are being met and that outcomes are in line with the objectives of the scheme as set out in the proposed criteria.

There are no additional manpower implications for the States arising from this proposition.

25th October 2001.

**Jersey Tourism:
The economic rationale for
supporting
the tourism industry**

March 2001

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1. WHY TOURISM?

1.1. There are several factors that support the worth and benefits of having a vibrant and successful tourism industry in Jersey:

- Jersey has a natural resource in its scenic beauty, its diversity of place, its beaches and cultural heritage.
- These contribute to quality of life but also have a potential for generating value added in the form of exports (visitor expenditure).
- Tourism is one of the main components of value added for Jersey, along with agriculture and financial services.
- Agriculture is in some difficulty but its environmental contribution in maintaining the diversity of place on the Island is also recognised.
- Financial services are the major contributors to value added. But they are potentially mobile (evidence of movement of deposit banking to the Isle of Man and the movement of Trust banking to Mauritius, etc.) and vulnerable to shifts in the global economy and legislation.
- Tourism is perceived as low value added and poor quality employment, more like agriculture than financial services where the value-added and remuneration are considerably higher. However, there are significant externalities associated with tourism which are not present or not as strong for other sectors. It has stronger linkages into local supplier businesses. It contributes substantially to the viability, range and the quality of local services, particularly eating out, attractions and leisure and recreation opportunities, many of which would not exist without tourism.
- Another advantage of tourism is that the potential will always be there and therefore it is a more sustainable activity in the long run. At present, tourism is experiencing worldwide growth. However, the benefit to Jersey is dependent on successfully protecting the Island's tourism product and maintaining the demand.
- Tourism also plays a significant role in supporting the transport routes to and from the Island with volumes that are not generated by other sectors of the economy.

1.2. These attributes suggest that long-term sustainability of the Jersey economy requires that tourism is retained as a vibrant and dynamic contributor to the economy.

2. THE BALANCE OF DEMAND AND SUPPLY

a) Demand

2.1. Jersey's economy is demand-driven, with significant actual and potential supply constraints. The expansion of financial services has been the engine for growth in recent years (see Table 2.1). Its main component of value added benefiting local residents in Jersey is the incomes from employment. But the contribution of tourism accrues to residents through incomes and profit in a wide variety of businesses on the Island. The gap between the two contributions will be less than appears to be the case judged by relative incomes.

Table 2.1: Growth of financial services (1971–2000 est)

Year	Employment	%GDP	
		Financial services	Tourism
1971	1800	15	45
1981	3600	27	36
1991	7400	47	27
1996	9200	55	24
2000 (est)	11200	Na	Na

Source: Statistics Department

2.2. The bulk of tourism demand is from the UK and has been in long term steady decline. During the period 1992-99, holiday visitors from the UK declined at a rate of 1.8% per year. As a traditional resort, Jersey has been losing out to changing tastes and competition from similar destinations. It has been argued that the bulk of

operators and hoteliers have been protected by the captive market from the UK and have not invested for the future. This 'protected' period was extended by the Bergerac TV series, the rights to which have been bought by many countries.

- 2.3. The feeling is that there had been a large influx of people in the post war period setting up businesses without a long term commitment to tourism or the management skills to adapt to market change and that this extended period of sustained growth has isolated their businesses from the rigours of the market.
- 2.4. The decline in UK tourism to Jersey has however been compensated by a rise in both holiday visitors from other origins and in business travel associated with the growth of business tourism. However, in the last few years, the strong pound has made alternative destinations for UK visitors cheaper relative to Jersey and has for the time being accelerated the downward trend. The strong pound also makes Jersey a relatively expensive destination for visitors from other origins and, while it continues, is also depressing current demand.
- 2.5. Exchange rates fluctuate and may be a short-term impact – although the macroeconomic policy stance in the UK may sustain the exchange rate for some years yet. However, there are also strong inflationary pressures in the Jersey economy, which either raise the relative cost of Jersey as a destination or squeeze the margins of Jersey tourism businesses. The underlying trends are consistent with a desirable and more sustainable shift in the composition of tourism demand so tourism volumes may continue to decline in the short to medium term.

b) Supply

- 2.6. There has however been substantial adjustment in total accommodation stocks in the 1990s, with the vast majority of guesthouses and 1 or 2 sun hotels disappearing from the registered stock. The capacity of hotels graded 3 suns or more has been maintained. Over the period 1990-99, registered tourism accommodation establishments have decreased by 42% (6% per year), although the decline in bedspaces has been slower, 24% (3% per year). A rough estimate based on discussions with operators is that there are no more than 10 or 11 operators who have undertaken major investments for the future, who currently account for something around 40% of total rooms.
- 2.7. The recent LECG report 'Hotel and Guest House Capacity' to the Industries Committee (January 2001) acknowledges that the stock is falling faster than demand, a fact that is confirmed by the data on visitor numbers and bedrooms. That of itself is unusual because it is more common for demand to fall faster than supply because supply lags behind demand in the process of adjustment.
- 2.8. Unfortunately, most of the argument in the LECG paper relates to definitions and measurement about existing capacity. It does not analyse the causes of the decline. An important issue is the alternative use of stock that has left the register over the past ten years and the motivations for leaving the sector.
- 2.9. Table 2.2. shows the change of use associated with the decline in bed spaces. The losses are expressed as a percentage of the average hotel and guest house stock over the relevant period and converted to the rate of change over a two year period for each of the periods. This means that the first half of the final column is the rate of change that would occur over the period 2000-2001 if the change in the period from the beginning of the year to date were to continue until the end of 2002. The actual change over the period Jan 1st to March 8th 2001 is shown in the second half of the column. Transfer to sale for lodging house or mixed development has been a major form at least since 1990. The transfer to sale for private housing however took off in 94/95 and was the main factor in the period from 1996 to 2000. The other major transfers have been for offices during 93/94 and for social housing 1996-2000. The striking feature however is that the rate of loss to private housing since the turn of the year is over 6 times the rate for the previous five years and would make the total loss twice as large as in the previous period. It is this acceleration that should cause concern.
- 2.10. Two factors which are likely to have induced these changes are the introduction of standard tenancy agreements and the release of house price controls in 1991, the lifting of rent controls in 1993 and the growth of financial services which has increased the demand for housing during the period. There has recently been an added incentive for transfer of use to housing with house price inflation rising from 118 (index 1990=100) to 183 in 1998 (see LECG report 'Housing in Jersey' for the Housing Committee October 2000).

Table 2.2: Bed losses 1990 to date⁽¹⁾

Change of use to	(% of stock of bed-spaces, 2-yr rate of change)				
	90-93	94-95	96-00	1 st Jan – 8 th Mar 2001	
	Equiv 2 yr change (2)	Equiv 2 yr change (2)	Equiv 2 yr change (2)	Equiv 2 yr change (2)	Actual change ⁽³⁾
Commercial (Offices, etc.)	0.2	3.9	0.5	0	0
Private sale for private housing	0.3	4.4	3.6	32.3	2.7

Private sale for lodging houses	2.0	3.3	4.8	0	0
Reverted to private housing	0.5	1.4	0.9	0	0
Mixed development (e.g. lodgings and flats)	0	1.1	0	6.6	0.5
States housing and other community uses	1.0	0.6	4.4	0	0
Tourism related	0.3	0.4	0	0	0
Not Known	0	0	1.8	0	0
Total: all uses	4.3	15.1	16.0	38.9	3.2

Source: Jersey Tourism Statistics and Tourism Department

Notes:

(1) Hotels and guest houses only

(2) The changes shown in these columns are the actual change converted to an equivalent rate of change over a two-year period so that the rate of change in the periods that have different lengths can be compared.

(3) This is actual change in the first two months of 2001.

2.11. There has been some concern that some of the losses of accommodation over recent years, and particularly now, have been of 'prime sites' and in coastal areas of particular importance to the tourism industry. Much of this is anecdotal but simply driving around the Island it is easy to see some coastal areas turning to residential as the dominant use, for example La Rocque with its Martello towers.

c) The balance of demand and supply

2.12. The economy is demand-driven (OXERA, 2000) and there is excess demand for property, land and labour. Tourism is adjusting to long term trends in the volume and composition of its tourism but its accommodation base is declining faster than its demand and, as a consequence, some key aspects of Jersey's tourism product are being lost.

2.13. There is therefore some justifiable cause for concern because critical components of the tourism product are disappearing at a faster rate than demand. If tourism in Jersey is to have a future, that needs to be addressed quickly. The judgement is based on four facts:

- ◆ Accommodation stock is falling faster than demand. This is the result more of the excess demand in the housing market and the price inflation that increases the incentive to change use than the fall in demand in tourism would appear to require. That is, the adjustment in the tourism sector is being driven more by the adjustment in the housing market than in its own market. With the price differential between housing and tourism use established and the continued shortage of housing, there is no reason for the rate of adjustment to slow down;
- ◆ A proportion of the proprietors remaining in the industry do not have commitment to the tourism sector. Some are disillusioned with conditions such as the regulatory framework, some have not developed as a family business and have no-one to take over, and some see an opportunity to realise greater short term value from their assets as a basis for retirement;
- ◆ There is a persistent inflation differential with the UK (currently around 2½%) which puts additional pressure on operators margins over and above the competitive pressures from other destinations affecting Jersey tourism;
- ◆ The rise in land values, employment costs, the difficulty of seasonal recruitment and the costs of professional services (architects, surveyors, accountants, lawyers) are all disincentives to continued investment in accommodation as a tourism product.

2.14. There are a number of possible interpretations that would influence policy responses to this situation:

- v These are market forces doing their job – the tourism industry should be left to fend for itself and Jersey will accept the consequences;
- v These market forces reflect distorted market signals and there is market failure that needs to be tackled – the tourism industry is being crowded-out;
- v Ways in which market failures affect the tourism industry – if intervention is required, what form should it take?;
- v The States are committed to tourism and the new strategy – there is a danger that current trends will overshoot the point of viable recovery and therefore the States should intervene.

3. ALTERNATIVE RATIONALES FOR INTERVENTION

3.1.1. 'There is no need to intervene because market forces are doing their job'

3.1.2. There are a number of factors that would suggest that this view is not easily sustained from the perspective of tourism:

- Jersey is regulated in a number of ways that could impact on market signals for tourism operators (the regulation of undertakings, J categories in the labour market, planning procedures, etc.);
- What is currently happening does not appear to be giving the normal outcomes that would be expected if market forces alone were driving the adjustment;
- Even if market forces were working for the long term, there still may need to be intervention to manage the process of adjustment that has recently had to absorb some major shocks.

3.1.2. When markets are perfectly competitive, the operation of market forces, guided by market signals and perfect knowledge, will maximise welfare for the economy. It could be argued that each of the markets for labour, land and housing is an efficient market because private individuals are taking decisions based on the apparent market signals, believing that the regulations in these markets are there to ensure market equity.

3.1.3. Markets are inefficient if there are market failures present. These are usually characterised by risk aversion, lack of information, externalities and the welfare benefits associated with public goods. In Jersey, there are strong externalities in the markets – there is a mix of economic agents competing for resources in each market with different market power and a different set of market signals. Most of the financial services sector commands the resources to dominate the national markets, backed up by resources from outside Jersey and conditioned only by their competitiveness in their international markets. Its very strength is also its weakness – it is controlled largely from outside Jersey and is therefore highly mobile if other locations become more competitive.

3.1.4. Other sectors are price-takers and tend to be locally owned. All of them face competitive pressures nationally and agriculture and tourism are also exposed to severe competitive pressures internationally. Thus financial services are setting the price of labour and housing in markets where there is excess demand and crowding out tourism.

3.1.5. There is unequal competition at present. This of itself is not necessarily a market failure, only a situation caused by the rapid expansion of the financial services sector and the slowness of other sectors to become locally competitive. However the market signals created by the financial services sector, in particular their ability to pay high prices for land, housing and labour, have a knock-on effect on the attitude to risk for investment in tourism as against other uses of their assets, and on the economic value of public goods in private use. The risk aversion is higher because the return to cash on the values of property are better than the perceived return from tourism for those whose margins are being squeezed. Areas of Jersey, both coastal and inland, which are key to Jersey's tourism product are of higher economic value in alternative uses and would be lost forever if opened to private development.

3.1.6. This argument suggests that there is market failure which is distorting the adjustment process that the tourism industry is undergoing and possibly also the long-term sustainability of the economy. Whether the long-term allocation of resources implicit in the existing markets is the most efficient is a political judgement about the resource distribution. But there is also an economic issue about whether the long-term allocation of resources would be sustainable for the Jersey economy. That is very difficult to judge but there is little doubt that it would become increasingly vulnerable to changes in the global economy and the withdrawal of financial services.

3.2. 'Intervention is needed because current market forces reflect distorted market signals'

3.2.1. The report 'Inflation in Jersey' (Michael Parr) commissioned by the Finance and Economics Committee establishes the grounds for assessing the excessive inflationary pressures in the Jersey economy. Increases in house prices, probably land values, wage costs, building costs, low unemployment relative to vacancies, probably a rising budget surplus are all identified as likely to be present and have emerged since 1996.

3.2.2. The general perception is that the growth in demand has come from the expansion of Financial Services and best estimates available (shown in Table 2.1.) confirms this. Both agriculture and tourism have been in decline, but it is almost certain that aggregate demand has been rising strongly, as exemplified by rising tax revenues.

3.2.3. The expansion of financial services has been accommodated by new build and by maintaining facades and gutting the rest of buildings in the main centres. However little of the demand has been met by change of use

from the accommodation sector except in the mid 90s (Table 2.2.). There has not been a huge impact on the commercial property market.

- 3.2.4. However, its expansion has affected both the labour and housing markets. In the labour market, although many of the people recruited are from the UK and may only stay for around 4 years, there is a significant demand for filling opportunities that are readily accessible by residents. Wages are generally higher than average, certainly higher than in tourism and have increased the wage pressure in the economy.
- 3.2.5. Although tourism relies on seasonal labour from abroad in the peak season, the additional wage pressure both puts up the cost of management and support staff year round and affects operators' ability to recruit outside the main season. There are already other pressures causing shortages of seasonal labour, such as the expansion of opportunities elsewhere drying up the supply and the difficulty of accommodating them on the Island.
- 3.2.6. The pressure on the housing market has intensified with the expansion of the financial services sector. Not only is there more demand, the extra people have higher than average salaries and the ability to secure subsidised mortgages rates from their employers as part of their employment packages. Taken along with the 100% mortgage relief available and the tendency of lenders to give high income multiples (between 6 and 10 times salary), it is not surprising that house prices have soared (e.g. a non-descript 3 bed semi for £349,000).
- 3.2.7. With this kind of pressure in the housing market, the States need to maintain and possibly increase social housing – given current commitment to green belt policies, this means converting existing stock.
- 3.2.8. The impacts on tourism businesses are substantial:
 - The value of their property for housing use is a strong incentive for tourism operators to sell out;
 - It is difficult to recruit key staff because affordable salaries are insufficient to give access to the housing market;
 - It is difficult to accommodate seasonal workers. Lodging houses were a means of accommodating these workers but the States became concerned about the growth of population. They put on tight controls which led to excess demand for labour and ultimately led to a rather lax definition of use. The restrictions have been lifted on a case by case basis from Christmas 2000. Population has now stabilised with the introduction of the 5-year residency rule.

There has however been a beneficial effect – the banks are more willing to lend to tourism projects as long as the value in an alternative use is protected.

3.3. The possible nature of market failures in the tourism industry

- 3.3.1. Section 3.1. argued that there is market failure disrupting the adjustment of the wider economy which is affecting the tourism industry. In the tourism industry, there is also apparent market failure because the low economic value attached to tourism and the lack of confidence and management capacity in the tourism industry. However, those operators who have been investing say that financial institutions as lenders do not seem to be a significant problem in most circumstances as long as there is a good business plan, although their attitudes may be adversely conditioned by what they hear of tourism prospects.
- 3.3.2. The regulatory framework is a constraint on the ability of both the housing and labour markets to clear efficiently. Pressures are building up in both markets because tourism cannot compete due to the incentives for agents being biased towards the financial sector. It is not a level playing field and cannot be so until some pressure is taken out of the two markets. Reviews of population and migration policies and housing subsidies may be under consideration but the period within which these could have any effect is long term. More immediate actions, such as relaxation of the green belt, reductions or capping in mortgage relief both have negative consequences for the tourism industry and would be politically highly charged.
- 3.3.3. The economic value attached to tourism needs to be reviewed so that a proper cost-benefit assessment of its long term value and dependence on public goods can be made relative to developing its resources for other economic activity. The actions in response to current market signals are those of individual agents and may not be in the interests of the community as a whole in the long term. In economic terms, this is market failure caused by the inability of individual agents to assess the economic value of public goods.
- 3.3.4. There is a core of proprietors, including two chain hotels, who have invested heavily over the recent past. These have confidence in the industry's prospects and anticipate continuity of ownership and professional management practices. A further positive signal is the new waterfront development (Marriott) and the potential for a new high quality budget hotel in the redevelopment of Fort Regent. These operators do have complaints about the lack of co-ordination and the Committee structure that is seen as not helpful to the tourism industry.

- 3.3.5. The difference between these and the raft of smaller providers is their ability to be competitive and the market power that they can use in negotiating with package operators. They perceive the smaller providers as lacking management skills and a commitment to the industry. They believe that banks will underwrite investment, particularly now with the residual values, only if there is a good business plan and a decent contribution from the applicant.
- 3.3.6. The majority of the smaller businesses have seen their margins and rates squeezed below a level at which they can achieve year-round viability. They see the lack of co-ordination between the Tourism Committee and the Planning Committee in decisions that affect them and view the perceived inaction as a lack of commitment to the tourism industry. They say they have no resources to invest and no entrepreneurial spirit left. They are also characterised as first generation operators with no desire among their families to carry on and few indications of a new generation coming forward.
- 3.3.7. Some of these perceptions need to be taken with a pinch of salt – certainly there are some committed proprietors in the smaller businesses and a lack of confidence is genuine and makes them very risk adverse to future investment. There is also probably a justifiable perception that until the recent strategy was developed little had been done to re-position the tourism product to secure not only the existing visitor flow but also to compete with other destinations as tastes change.
- 3.3.8. There may still be some ‘dead wood’ still in the industry but my guess is that much of what was created in the 50s to 80s boom has already been shaken out. What characterises these smaller businesses is the lower levels of confidence and a lack of resources.
- 3.3.9. The lack of resources is due to the current squeeze on margins and the inability of small businesses to secure rack rates in combination with adequate occupancy in the 6-8 weeks of the high season to make it worthwhile remaining in the business. It is arguable that many should have invested a lot earlier. A lot will have been shaken out but it may well be that a few still exist who have salted away profits from the boom period. There is a political choice here between not giving support now for fear it would be seen as compensating these proprietors for their past mistakes and starting with a clean sheet for those willing to commit to the future of Jersey tourism by investing.
- 3.3.10. The lack of confidence is grounded in the perception of lack of a leadership and support from the States (and the Tourism Committee/Department), particularly during the recent period since the early 90s when life has got tough for the smaller businesses. Given the delays in the development of the Strategy, the expectations are wholly focussed on financial support as a sign of commitment to the future of the industry.

3.4. ‘Recent shocks require intervention to manage the process of adjustment in the tourism industry’

- 3.4.1. There are arguments for addressing market failure in relation to tourism but many of the solutions will be long term and a matter for policy priorities within the States committees.
- 3.4.2. In the short term, there is evidence that the tourism industry is adjusting stock in relation to recent shocks but in a way that may undermine the future of tourism on the Island. The argument for preserving key sites is not sustainable – it would in any case undermine the ability of those sites to get financial support if it were known that the sites are reserved for tourism without any other public sector support. A more sustainable approach would be to designate areas as areas of outstanding natural beauty, in much the same way that St. Ouen’s Bay is designated a specialist area for wildlife conservation, so that important geographical areas of the Island’s tourism product are not lost in the process of adjustment. This in the context of the new strategy would give a signal that there is an intention to preserve tourism values in these areas.
- 3.4.3. The rapid expansion of the Financial Services sector, in conjunction with the tourism industry’s adjustment to changes in demand, has had substantial impacts on the property and labour markets and inflation that are making it difficult for the tourism industry to adjust its capacity and refocus its provision. The incentives not to invest are strong and reinforced by the difficulty and the costs of recruiting, the lack of confidence in the future characterising much of the industry and the high exchange rate which is making it cheaper for UK residents to choose competitor destinations and more expensive for European residents to come to Jersey. There is a danger that the adjustment will overshoot and undermine the capacity of the industry to respond to the new strategy.
- 3.4.4. One of the potential threats is that the volume of visitors will fall below a critical mass that sustains the transport links to the Island. Discussions with transport operators indicate that the loss of the Heathrow link was a market decision and that similar decisions are likely to be taken for both air and sea links. The airlines and ferries have some flexibility, using fewer routes (consolidating origins), using smaller craft and reducing service frequencies. However, Jersey is a destination, unlike many other routes that provide feeders to and from other destinations. At any one time, there is some critical mass. But the level is not fixed and is continually influenced by the changing situations for Jersey and for elsewhere.

- 3.4.5. Airlines have slots in major hubs which they generally allocate to the most profitable routes. The Jersey route, as a destination, is therefore vulnerable to competition from other routes. Aircraft utilisation is lower and maintenance costs are higher if airplanes have to be based at such destinations. There is flexibility in provision in terms of the number of flights and the type (jet vs propeller) and capacity that they can deploy. However, they are concerned with volumes not the value of tourism. There are charters but a substantial number of seats on scheduled aircraft will be contracted to tour operators, particularly at weekends and during the high season. It is this business that underwrites the viability of the scheduling – resident and business demand alone would not maintain the level of provision.
- 3.4.6. The ferries also need tourist volumes and the seasonal peaks to underwrite their routes – residents alone would not sustain the route. They are less flexible because there are fewer alternatives for the use of their capacity. Currently Condor have invested heavily for Weymouth/Poole, Channel Islands and St Malo routes and operate two high speed wave piercing CATs and one conventional boat to cater for inclement weather conditions on the Guernsey/Jersey routes. The port in Jersey is an open port, which means that any passenger-only ferry can use the port. Service level agreements covering the routes, number of vessels per day, type of craft and fare structures are negotiated with operators (Condor and Emeraude Lines) for ramp licences for passenger car landings. These service agreements are now for 5 years and are being/will be renegotiated. Craft utilisation for car ferry service is therefore a critical issue.
- 3.4.7. Utilisation is a key factor for both aircraft and ferries. Operating to somewhere like Jersey, airlines can get as little as one-third the utilisation from each aircraft that the cheap carriers such as Easyjet, Go and Ryanair achieve. For ferries, the Jersey market is small compared to the main routes to Cherbourg and St Malo.
- 3.4.8. Whilst none of the arguments could be used to identify a critical mass of tourists before routes disappeared, it clearly affects the level and quality of provision. Thus tourism plays a medium to long term role not only in potentially underwriting the sustainability of the economy but also of its transport links.

4. THE WAY FORWARD

- 4.1. The current process of adjustment is adapting as it should to a different level and composition of future demand. However, there is no confidence in the future among parts of the industry because they cannot see a way forward. As a result, the shocks inherent in the expansion of financial services are accelerating the adjustment faster than is appropriate to the implementation of the new strategy. More hotel capacity and tourism areas will be lost before the new strategy can be implemented if action is not taken.
- 4.2. There is a need to give confidence to the industry that the States, through the Tourism Committee in partnership with the other Committees, will support its future. This is something to which the States have signed up to in the ~~P&R Plan and the acceptance of the new strategy but has given~~ no signs yet of any commitment. Any support should not be a promise that it will underpin any risk but that it will intervene to enable the industry to adjust to the future envisaged in the strategy, despite the adverse pressures in the economy.
- 4.3. A draft policy chapter for tourism policy has been prepared for the Jersey Island Plan (2001). This provides outline policies for implementing the Tourism Strategy for Jersey “Tourism Adds Value” in the context of the vision and objectives of the Island Plan. These should be re-considered in the light of the analysis contained in this paper.
- 4.4. This paper has sought to establish that there is a strong economic rationale for the introduction of financial support to encourage development in the tourism industry which supports transition to the new Strategy vision by slowing down and managing the adverse impacts of the adjustment process taking place in the wider economy. Loans and interest relief schemes are geared to overcoming barriers related to access to capital and cashflow. Equity stakes in supported projects allow the public sector to get a return from successful ventures. Grants can help in these respects but are aimed at filling a development gap for specific projects. Grants can be more effective in helping to offset low levels of confidence in the future and entry into new markets. But then the scheme needs specific targeting and rigorous appraisal to ensure a (net additional) contribution to the strategy.
- 4.5. The key features of the scheme would be to:
- v manage the adjustment process in the tourism to prevent overshooting undermining the new strategy vision;
 - v be linked to specific actions required in the implementation of the strategy and the tourism policies agreed in the final Jersey Island Plan (2001);
 - v be aimed at pump priming new niche markets;

- v have a clawback clause to recover all or part of the grant from super-profits (in excess of the original business plan).

4.6 Some leadership will be required from the Tourism Department to reinforce the implementation of the Tourism Strategy and its contribution to the Jersey Island Plan:

- Raising the confidence in the future of tourism for Jersey and facilitating providers in the development of better yield management techniques and an understanding of new opportunities presented by web developments;
- Taking action to ensure that there are adequate conditions for attracting key staff for managing and running tourism businesses and a plentiful supply of seasonal workers (this may need action to accommodate them and may require customised employment packages from the industry);
- Helping to identify and promote new niche markets (e.g. sports related especially for groups, activity based holidays) in partnership with existing and potential operators (subsidies to pump prime and underpin the new market entry);
- Improving the quality of the local physical infrastructure. This requires mainstream funding and will run up against spending constraints. But shabbiness in the environment will reduce return visits and word of mouth recommendations. The Tourism Committee should try to get some cross-Committee action.

[1] Jersey Tourism - Yearly Statistical Report 2000.

[2] Office to the Chief Adviser 1997 - 1997 Statistical Review.

[3] Policy and Resources 2001 - Quarterly Manpower Survey March 2001.

[4] World Tourism Organisation 2001.

[5] Putting Resort Regeneration into Practice - Ref. Torbay Forum February 1999; Travel and Tourism Intelligence City Reports 1999 *Barcelona No. 4 1999*; Strategic Plan for Revitalisation of Metropolitan Bilbao 1989 - public and private sector investment and EU funding for infrastructure projects including the Guggenheim Museum, new conference centre, concert hall, new airport terminal, development of Metro, waterfront developments, etc.

[6] Europe - The European Union On-Line: <http://europea.eu.int/comm/enterprise/services/tourism/policy-areas/instruments.htm>

[7] National Lottery Division, Department for Culture, Media and Sport and Millennium Commission, Department of Culture, Media and Sport, Gosport Borough Council.

[8] Department of Transport, Local Government and the Regions.

[9] Wales Tourist Board 2001 - Annual Report 1999/2000.

[10] NITB 1999.

[11] Jersey Tourism - Yearly Statistical Report 2000.