



In the next 25 years public institutions could save 389,6 million euros in public investment if the growth of accommodation offer on the island was stopped

Not to exploit the total building potential foreseen in the PIOT would imply savings of 389,6 million euros to public institutions in the years 2000 to 2025. This is the main conclusion shed by the study “**Evaluation of public savings produced by restraining growth of tourist offer in Lanzarote**”, carried out within the systemic frame of the programme *Life Lanzarote in the Biosphere 2 (2001-2004)* and whose object is centered on the evaluation of public monies and the savings produced by the restraint of tourist offer growth in Lanzarote, in order to compare it with the monetary costs that such restraint would imply.

Synthesis of the Study:
Evaluation of public savings produced by restraining the growth of tourist offer in Lanzarote

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The study analyses the insular evolution until 2025 and distinguishes four parts:

- 1^a. Setting-up of growth scenarios of the accommodation offer.
- 2^a. Relation between said scenarios with the foreseen population increase.
- 3^a. Relating former facts with the corresponding scenarios of public income and expenditure.
- 4^a. Conclusions.

1^a. Establishing the scenarios of accommodation offer growth.

We started the study **establishing two scenarios of accommodation offer growth in the tourist areas**. To do this we considered the year to year evolution of the building of tourist and residential accommodation until 2025:

- *Scenario A or scenario of the development of the entire PIOT building potential*, with the only exception of the “insular tourist moratorium” established in the year 2000.
- *Scenario B or scenario of radical growth cut*, only allowing the building of tourist accommodation contemplated in the “insular tourist moratorium” of the year 2000.

DIAGRAM 1:

Tourist and residential accommodation growth in both scenarios

YEARS	TOURIST ACCOMMOD.		SECOND RESIDENCES	
	Scenario A	Scenario B	Scenario A	Scenario B
2000	58.132	58.132	26.534	26.534
2025	95.437*	67.795*	58.686	30.097 ¹
NEW BEDS	37.305	9.663	32.152	3.563

Source: Own production

(*) For 3% estimate annual growth.

2^a. Relation of said scenarios with the foreseen increase in population.

Further on we have established **the relation between the growth of accommodation offer in tourist areas – population on the island unit**, for each one of the scenarios. To do this in each scenario we have estimated the year by year evolution until 2025 of the three population components which could influence the public sector:

¹ We consider that some time has to pass before restraint measures can be made effective.

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- **Resident population:** islanders, immigrants.
- **Second residency population on the island** (called second residents in this text)
- **Tourist population on the island** (called tourists in this text).

The different effects of these population components on public income and expenditure is the reason why, according to the case, we have used only the “**resident population**” and in others the “**global population**” whereby this is understood as the unit of resident population, second residence and tourists. This last indicator is important because of its effects on the island’s and the public sector’s capacity of burden. Bear in mind that **the island would have a burden of 293.477 people in scenario A compared to the 211.926 people in scenario B.**

The **calculation base for population and employment is given by a series of multiplicands**, which allow to relate demographic growth to tourist and residential growth:

- Each tourist accommodation generates 2.06 inhabitants (direct and indirect employment and family).
- Each residential accommodation generates 0.36 inhabitants.

DIAGRAM 2:
Population growth per sector in scenario A

SCENARIO A	RESIDENT POPULATION					SECOND RESIDENTS		TOURISTS		GLOBAL POPULATION
	NATURALS		IMMIGRANTS		TOTAL	Total y % O/Global Population		Total y % O/Global Population		
YEARS	Total y % O/Global Population		Total y % O/Global Population			Total y % O/Global Population		Total y % O/Global Population		
2000	58.804	36	46.203	28.3	105.007	7.695	4.7	50.517	31	163.219
2025	81.836	28	111.687	38	193.523	17.019	6	82.935	28	293.477
NEW POPULATION	23.032	17.7	65.484	50.3	88.516	9.324	7	32.418	25	130.258

Source: Own production

DIAGRAM 3:
Population growth per sector in scenario B

SCENARIO B	RESIDENT POPULATION					SECOND RESIDENTS		TOURISTS		GLOBAL POPULATION
	NATURALS		IMMIGRANTS		TOTAL	Total y % O/Global Population		Total y % O/Global Population		
YEARS	Total y % O/Global Population		Total y % O/Global Population			Total y % O/Global Population		Total y % O/Global Population		
2000	58.804	36	46.203	28.3	105.007	7.695	4.7	50.517	31	163.219
2025	79.739	37.6	64.545	30.4	144.284	8.728	4	58.914	28	211.926
NEW POPULATION	20.935	43	18.342	37.6	39.277	1.033	2.1	8.397	17.3	48.707

Source: Own production

3ª. Relating former information with corresponding public income and expenditure scenarios.

Finally we have related the different island population scenarios with the corresponding general public income and expenditure scenarios induced in each case, year by year until 2025, and we have compared the accumulated amounts at the end of each period, accompanied by general comments on their meaning. To do this we have basically followed the distribution of items handled within the budgets, analysing in more detail those that are considered more relevant due to volume or incidence influenced by tourist growth.

To carry out projections and estimates of temporal series of public income and expenditure we have used current prices. On the other hand we have not born in mind the existence of index economies, notwithstanding the knowledge of their possible existence, but growth is so high that it does not allow its exploitation, and it is very complicated that these should generate some cases of expenditure such as education, public health, and so on.

TOTAL INCOME	SCENARIO A		SCENARIO B	
	Millions Ptas.	Meuros	Millions Ptas.	Meuros
	1.334.169	8.018,3	1.180.434	7.094,4
In Scenario A income is higher by 153.735 million pesetas (923,9 meuros) than in B				

TOTAL EXPENDITURE	SCENARIO A		SCENARIO B	
	Millions Ptas.	Meuros	Millions Ptas.	Meuros
	1.660.861	9.981,7	1.442.294	8.668,2
In Scenario A expenditure is higher by 218.567 million pesetas (1.313,6 meuros) than in B				

NOT EXPLOITING ALL THE BUILDING POTENTIAL FORESEEN BY THE PIOT MEANS SAVINGS FOR PUBLIC INSTITUTIONS OF 64.831 MILLIONS PESETAS (389,6 MEUROS) BETWEEN THE YEARS 2000 AND 2025.

4ª. Conclusions.

Results are clear: according to the designed theoretical simulations, the island evolution with growth restraint would mean public institutional savings of sixty five thousand million pesetas (389,6 meuros) at present value, calculated on a time base that carries on until 2025. This lower expenditure has specially positive effects on public finance.

The importance of public savings induced by minor growth and considering it as a real asset capable of counterbalancing costs derived by indemnifications that could derive from the recovery of building excesses in tourist areas, must not obviate the fact that tourist economic impacts are far more extensive than the strictly public ones, and activity and employment opportunities induced in society by this sector must not be ignored, though in the case of Lanzarote it also generates threat such as the island's loss of general competitiveness on a long term.

Apart from the study's general conclusions, among others we wish to state **three complementary reflexions** of great importance:

a. Consequences provoked by tourist growth on population variables and on human pressure on the island.

Lanzarote always knew that tourist growth was the determining factor within the development unit as well as within the multiplication of human pressure on the island's environment. The detailed study of the population brought along through tourist accommodation and second residences indicates to which extreme this is true, as **new employment demand would exceed even more the capacity of employment offer of the residing population and would potentate the arrival of new population on the island.**

Therefore the scenario of maximum growth would mean placing floating population at about 293.000 people in 2025, with a population density of 346 hab/km², meaning 189% more than at present. At the same time the scenario of radical growth cut would indicate a floating population of 212.000 people in the year 2025, with a density of 250 hab/km², meaning 136% of the present one. That is to say, **the scenario of minimum tourism and population growth represents in itself a tremendous challenge due to the gradual demographic growth of its own resident population,** which grants a key importance to put into action the programmes foreseen in the *Lanzarote Strategy in the Biosphere*.

b. Major tourist growth and levels of saturation, major imbalance between public income and expenditure.

The reasons for the growth of public shortfall in tourist destination is explained by the expenditure induced by the unit of daily floating population formed by residents and tourists, while much of the most important income, such as direct taxes, is generated only by island residents. At the same time these shortfalls increase with the overflow of human pressure on the insular system, and where induced externals are most important, the economic resources needed to try compensation are higher. Not only that many

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induced damages are not only not attended to, but in many cases they have neither solution nor can a price be set on them.

c. Evident economic and general irrationality in continuing the increase of tourist accommodation offer in Lanzarote.

The option not to face the growth of tourist accommodation offer in Lanzarote reflects lack of general and economic rationality as it not merely induces a general impoverishment produced by damage on the unit of the insular system and on population's life quality, but from its economic viewpoint **said growth would lead to the loss of tourist attraction and on a long term to the corresponding weakening of competitiveness of the tourist sector and of the entire insular economy.**