

Forecasts of tourism numbers

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Notes

Despite considerable effort and a complex methodology, forecasts of tourist numbers by Tourism New Zealand have been wrong since 2004. It is suggested that the driving force has been wishful thinking and a desire for growth, with expectations conforming to industry aims. An alternative picture of a probable, but not certain, future is based on recognition of current global realities including probable economic depression plus highly likely oil price increases and limits to supplies. The forecast describes a tourism industry on the point of collapse. The analyst has the choice of conformity to a growth model or scientific consideration of changing trends in a world approaching many limits – between complex and incorrect methodology and a direct and comprehensive analysis of key factors.

As a scientist I understand that a model can tell a great deal if it contains the key factors in a problem, even when the model is simple. The same is true for forecasts. A complicated process is of no value if it ignores the key of the system.

With tourism, what matters? Here I consider the forecast of tourist numbers by the Ministry of Tourism and suggest an alternative forecast.

This discussion is about two questions.

- First, what is a suitable forecast for the future of tourism?
- Second, should you seek the truth, or aim to satisfy the wishes of your employer?

I am here because I raised questions when the CEO of Tourism New Zealand gave a presentation. He does his job, in his box. I come from outside that box. And I have no job. That is all too often the choice in today's world.

Let's consider the considerable effort put into forecasting at the Ministry of Tourism, and the considerable tools at their disposal.

“The Tourism Flows Model (TFM) is a unique GIS software tool that allows users to study the movements of international and domestic travellers in New Zealand. Users can identify trends and potential capacity constraints before they occur by accessing powerful forecasting data.”

“The forecasts are developed using statistical models and moderated using information provided by a panel of industry experts called the Delphi Group. No names are given.”

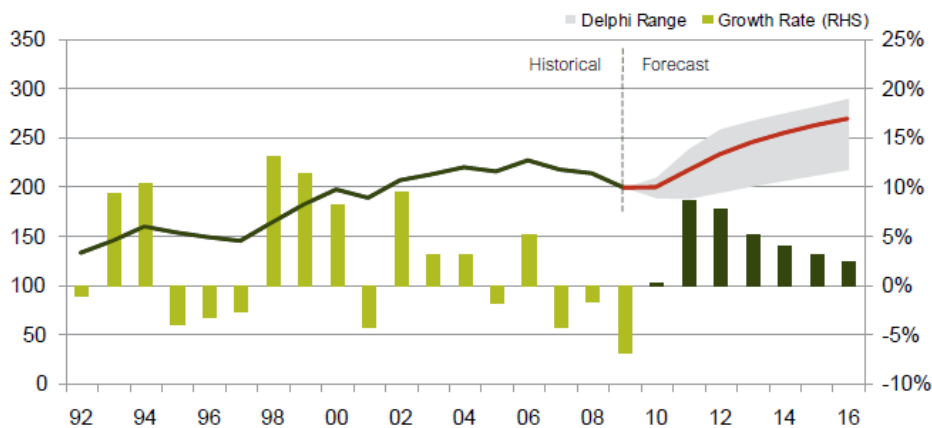
“This year's Delphi process had three important parts: (1) an initial phone interview prior to generating the statistical forecasts; (2) a phone conversation with each Delphi member to discuss the statistical forecasts; and (3) a group meeting. The purpose of the two phone interviews is to receive feedback that, for commercial reasons, might

not otherwise be contributed at a group meeting. They are also intended to prepare Delphi members for the group meeting.”

“The purpose of the group meeting is to achieve consensus on the forecasts by requesting input from the Delphi members on a market-by-market basis, focussing on the top 7 markets. The group meeting is designed to be highly interactive to ensure that the final forecasts reflect the collective views of the wider tourism industry.”

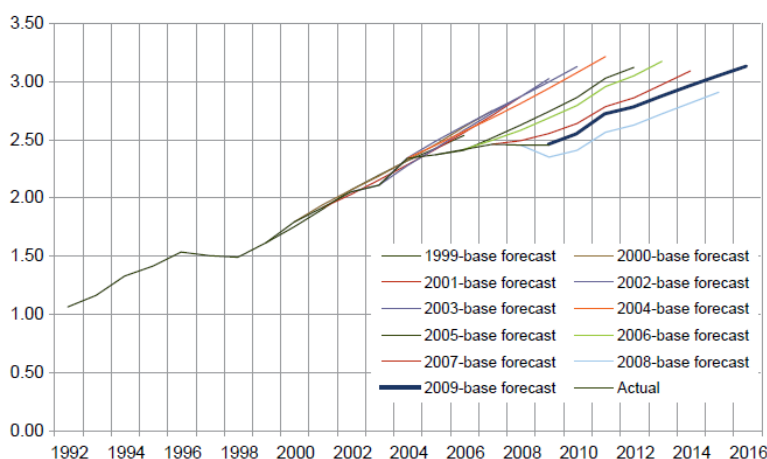
As this typical graph, of US visitor arrival numbers in N, shows, the results were of rapid recovery and growth. This is an illustration of my forecasting guidance rule #1, based on 40 years of futures research. **Most people forecast their preferred future.**

Figure 4: US Visitor Arrivals to New Zealand (000s)



The hopeful upward trend is clear in their visitor arrival forecasts graph. They refer to “a return to trend growth” in their report, but they actually ignore the recent trend of no growth for the last six years and continually forecast (hope for) growth.

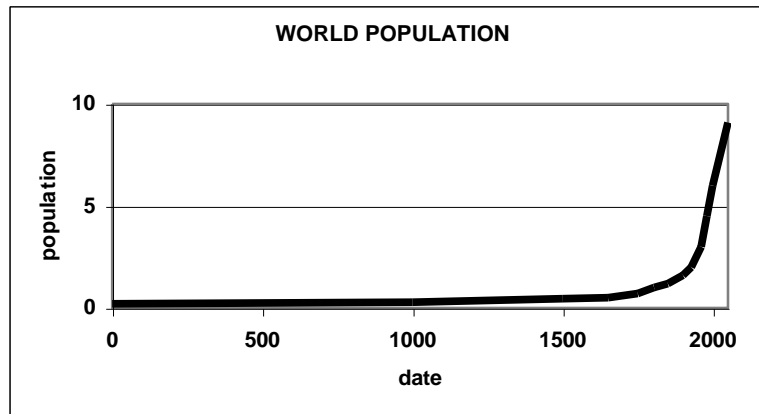
Figure 24: Summary of Visitor Arrivals Forecasts (millions)



Despite the considerable uncertainty, their forecast is precise. “Total visitor arrivals are forecast to increase by 27.3% (669,000 arrivals) over the next seven years to reach 3.12 million by 2016.” The forecast is given to 3 decimal places, giving a spurious impression of accuracy. This suits their purpose: a high target, not achieved, calls for

more spending on tourism, to try to reach that target. The client is happy even though the forecasts are consistently wrong.

Meanwhile larger, more important questions are ignored. We live in challenging times as the number, and activities, of people are harming the planet. The ongoing population explosion is extraordinary.



We should think of the big picture, as outlined in my 2009 publication, “NZ 2030, the world’s lifeboat”. Now I consider some factors relating particularly to tourism.

Climate change is serious. We must produce far less greenhouse gas. Should we then wind down tourism? The following information is considered in my 2011 publication for Friends of the Earth, “Cars at the End of an Era: Transport Issues in the New Zealand Greenhouse”.

All NZ greenhouse gas emissions are as follows (in Giga-grams of carbon dioxide equivalent).

Agriculture	34,826
Land use	- 26,177
Energy	33,839
Industrial	4,292
Waste	1,671

The most common breakdown one is called “Gross greenhouse gas emissions” and ignores Land use.

Agriculture	34,826	45%
Energy	33,839	47%
Industrial	4,292	
Waste	1,671	
TOTAL	74,628	

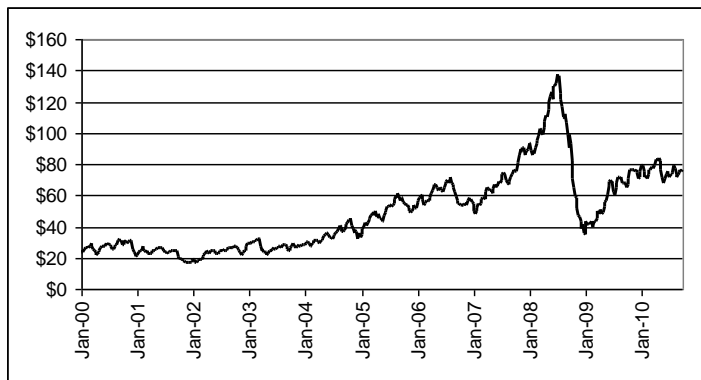
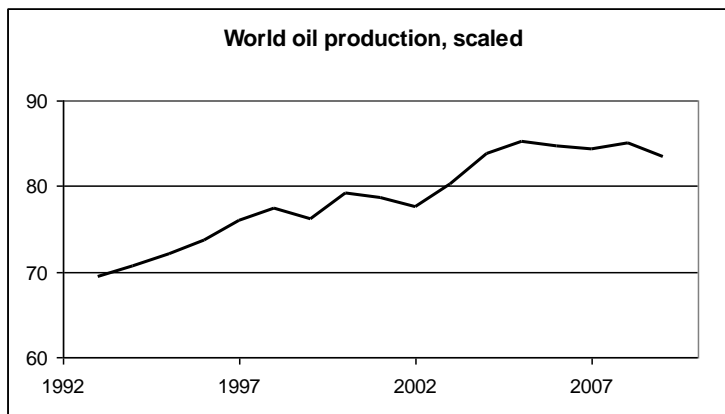
A more reasonable breakdown is of “Net greenhouse gas emissions”, taking all into account and combining Agriculture and land use as Natural processes.

Natural processes (Agriculture plus land use)	8,650	18%
Energy	33,839	70%

Industrial and Waste	5,963	12%
TOTAL	48,451	

Note again the many decimal places (5 here) for estimates with considerable uncertainties. The production of greenhouse gas by burning fossil fuels is now shown to be of key importance. That includes tourism travel.

Oil forecasts used by the New Zealand authorities that ignore the current oil peak have been shown to be wrong (again driven by wishful thinking). The International Energy Agency forecast in 2000 was: “The volume of world oil demand is projected to be some 96 million barrels per day in 2010. The international crude oil price is \$21/barrel in today’s money until 2010.” Everyone else expected oil to peak around 2005, in a plateau over some years. That is what happened.



Oil production in 2010 was 85 MBD not the IEA 96 MBD. Oil price in 2010 was varying considerably around \$80 a barrel, not the IEA \$21. They were wrong.

Yet the IEA continues its optimistic talk. For example, Fatih Birol, chief economist to the International Energy Agency, said last year that conventional crude output could plateau in 2020. Meanwhile there are reports that Saudi Arabia may have overestimated its reserves by 40%. The MED relies on IEA.

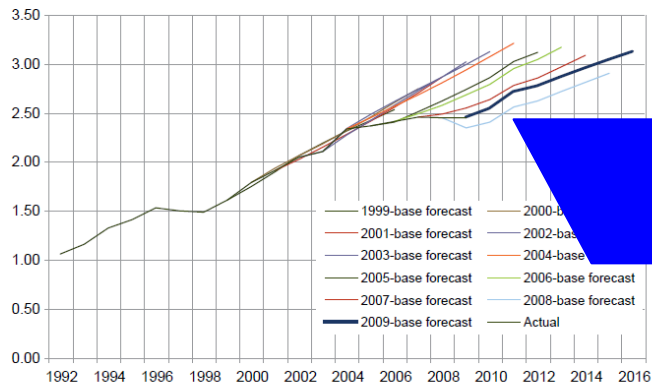
In 2008, after a long rise, the price of oil collapsed. That event was followed in 2 months by economic collapse. This is expected in 2012. Will tourism collapse? I forecast oil price hike and collapse, then economic collapse this or next year, with much uncertainty. The Ministry follows the expectation of a more stable economic

climate in 2011 and beyond. The economy is in uncertain territory, as explained in my 1989 publication “Excess capital”.

Is it better for the world to reduce now? Anyway that is going to happen. Tourism operators should be given a warning and start to consider restructuring as the industry cuts back. That would be an accurate forecast.

My forecast reflects the considerable uncertainty. Continuation at about the current level is possible. So is another shock, a crisis, leading to a rapid diminution in tourism. This graph has been transferred from a slide with my forecasts added and the blue range of forecast possibilities may shift about in this word document.

Figure 24: Summary of Visitor Arrivals Forecasts (millions)



WHY FORECAST?

To warn?

To take advantage of opportunity?

To prepare for coming storms?

Or to keep the boss happy?