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**THE GROWTH OF SECOND HOMES
AND TIME SHARING
IN SMALL ISLANDS**

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THE GROWTH OF SECOND HOMES AND TIME SHARING IN SMALL ISLANDS

INTRODUCTION

This paper stems from the observation that a growing number of visitors to the island of Tenerife fly without the traditional package, even though they arrive on charter flights. In 1990, 22.5% of foreign visitors flew to the island on a seat only basis. This percentage of tourists represented about half a million people who either have their own house (secondary home or time sharing) or they had contracted the accommodation separately from transportation.¹ It seems that about 200,000 visitors came with a time sharing arrangement and about 100,000 used a private house, while the rest stay at a hotel or an apartment of the traditional sector (Cabildo Insular de Tenerife, 1992, II: 255 -263).

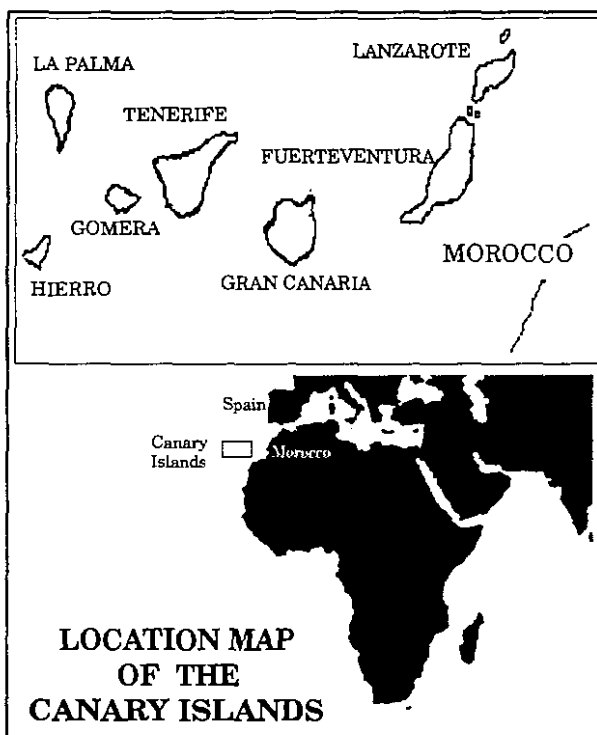
This paper studies the growth of second homes and time sharing as alternatives to the more traditional hotel and apartment accommodation usually contracted together through a package or inclusive tour (IT). Analysis is carried out of how these new types of accommodation affect both the tourism industry and the island economy. The study is illustrated with particular reference to the case of the island of Tenerife.

Tenerife is a volcanic island of the Canarian Archipelago with a population of about 640,000 and a land area of 2,034 square kilometres. Tourism is its main activity the whole year long. The number of visitors from outside the island exceeds 3 million (50% of the more than 6 million arriving in the Canary Islands every year). The average length of stay per tourist is approximately 9.5 days.

The growth of secondary homes and, more recently, of timeshare has been studied very little in the economic literature and analysis is practically nonexistent in an insular context. Secondary homes have been studied from the perspective of land management problems but there has been no analysis of the overall economic problems created by the phenomenon (U.N.E.C.E., 1991). Timesharing or interval ownership, meanwhile, has been presented as an alternative to the traditional industry but without an economic

analysis of its wider implications (Ortega-Martínez, 1991). A recent study has emphasized its excessive growth in areas of protected landscape, such as natural parks, and has proposed instead its extension "towards locations where development will be permitted, such as forested lowland areas, existing coastal resorts and urban areas" (Goodall and Stabler, 1992: 190).

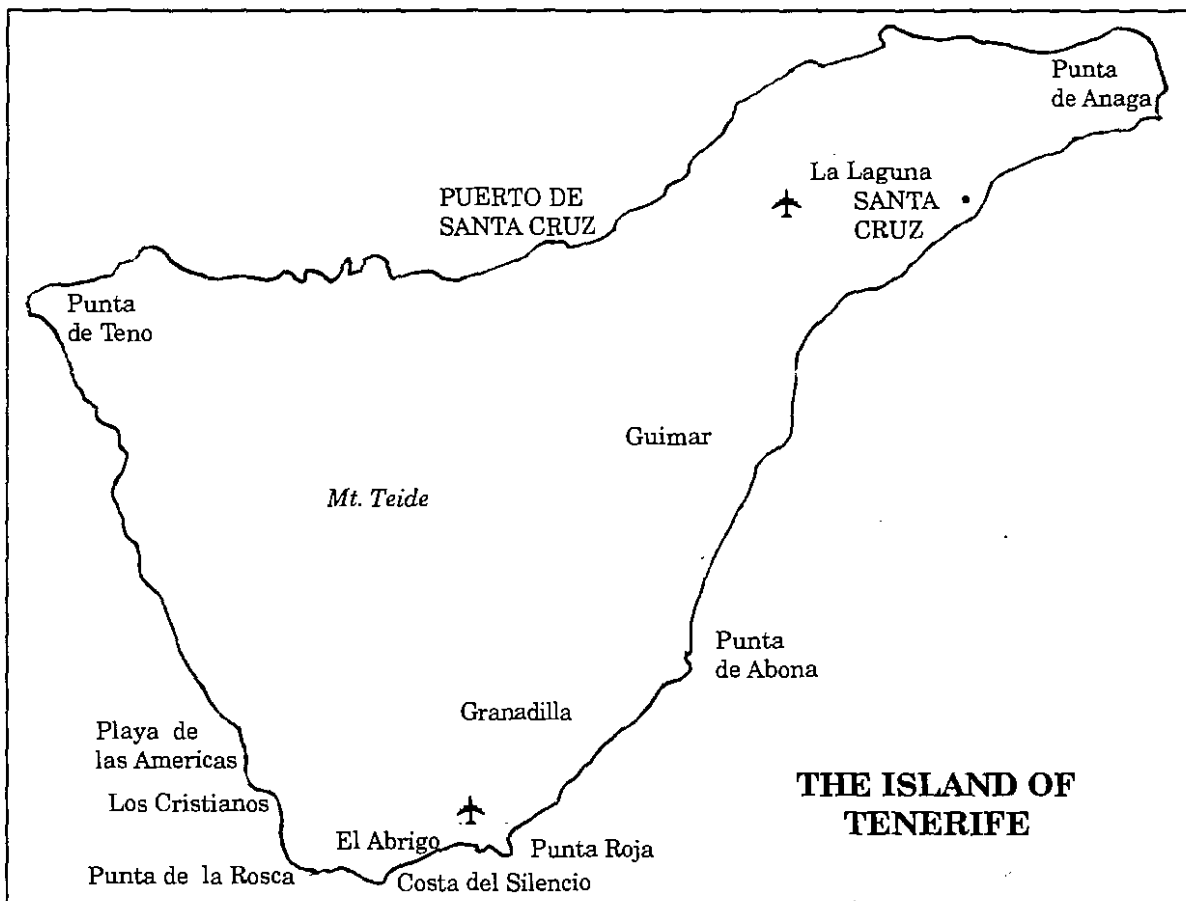
This paper is divided into six parts. Section two analyzes the specific characteristics of tourism in small islands, and places emphasis on the conditions which favour the birth and development of these new types of accommodation supply. The island of Tenerife serves to illustrate these developments. A study of the characteristics of secondary homes (SH) and time sharing (TS) is given in section three. The fourth section compares the three different kinds of accommodation, and highlights the advantages and disadvantages of each from the point of view of both consumers and the industry. Section five discusses the effects of the new supply-types on the overall island economy. Finally, section six provides some proposals to restrict the growth of both SH and TS.



TOURISM IN SMALL ISLANDS

The main difference between tourism in a small island compared to continental regions is its total dependence on air transport. This situation has meant that firms which control transportation have played a leading role in tourism. In fact, these leaders are the tour operators (TO) through their supply of IT, which combine accommodation and air transport. In islands, the true tourism product, from the point of view of

1. The exact number of beds that are rented informally i.e. non-declared or even illegal apartments, is not well known.



consumers, has been the package supplied by TO.

TO perform a double function. On one hand, they centralize the information from both the potential consumers and the different destination resorts, thus serving as intermediaries between suppliers and consumers. On the other hand, TO integrate all the necessary services in such a way that the end users may enjoy their holidays dealing with only one supplier. This integration of all services, accommodation and transport essentially, has given the leading role to TO in small islands.

One of the consequences of the domination of TO has been that local accommodation firms have not developed the capacity to market their own product directly to potential customers in the countries of origin of the tourists. The marketing departments of hotels and self-catering apartment firms in destination resorts suffer accordingly because they deal exclusively with TO and not directly with the end consumers. The problem is compounded when an island specializes in a few concentrated markets, as in Tenerife where three origins – U.K., mainland Spain and Germany – account for more than 70% of the total number of visitors.

The absence of a strong commercial department allows the existence of small tourism firms in islands. In fact, the accommodation sector in islands presents an atomized structure. Here again, this atomization tends to favour the role of TO since they are the ones who carry out all the marketing activities, generating an imbalance between both sides of the market. This is the reason why, from the point of view of the accommodation firms, the demand as represented by a few TO appears to be highly concentrated.

The absence of a commercial department also makes it easier for firms to enter tourism activity. In this way, any increment in the number of visitors to an island is answered easily and rapidly by the supply side of the market, since the new accommodation firms do not have to worry about marketing. Indeed, bottlenecks have not existed in accommodation. These bottlenecks were usually more frequent in infrastructures and basic services – airports, sewage treatment, water supply, lighting, etc..

The evolution of tourism activity on the island of Tenerife was quite impressive during the period 1985 to 1991. The number of visitors rose from 1.65 million to 3.12 million, a 89% increase. This increment in numbers was accompanied by a reduction in the average stay from 11.07 days in 1985 to 9.60 days in 1991, which is why the real growth in demand was merely 64%.

The supply side of the market also increased by 62%, from 75,400 beds in 1985 to 121,905 in 1991 (hotel and apartment beds). The growth of supply was due mainly to the apartment sector. This sector represented 43% of the number of beds in 1985 whereas by 1991 the figure had risen to 51%. This increase was to be expected since the price per night is lower in an apartment than in a hotel and the growth in demand was concentrated in low income segments of the market, with visitors still arriving chiefly from the traditional markets (Becerra-Domínguez y Navarro-Ibáñez, 1992).

The activity developed by TO shows increasing returns to scale due to production indivisibilities. As a result, it is clear that where TO are more important, there will be a tendency towards greater concentration on fewer countries of origins of visitors, i.e. insular resorts will tend to show a greater concentration on a few markets. Proof of this is that TO had few difficulties in carrying the growing number of visitors to Tenerife during recent years. In fact, Tenerife was not a special case, since the number of visitors to all the Canary Islands rose by 70% during the same period (3.7 million in 1985 to 6.3 million in 1991).

Firms in any economic sector are usually connected and endeavour to keep abreast of any evolution in the demand for their product. In the case of tourism in small islands, any change in market demand cannot be perceived or affected in any way by local firms. Only TO, which are closed to the potential customers, are capable of perceiving changes in demand and can prepare the adequate strategies to deal with them. The market power of TO derives from the direct information that they possess with regard to both local island supply and final demand. In this sense, the position of TO is similar to the privileged status of banks, who are able to obtain and manage information on the conditions of all the sectors of an economy.

In summary, insular tourism is characterized by the dominant role of TO, a local atomized supply of accommodation, a great ability to respond to any potential increase in the number of visitors and, lastly, a greater specialization in and concentration on a few countries of origin.

All of these factors can make for explosive growth in tourism activity,² given a minimum set of conditions as regards the productive structure of an island. When this growth reaches a certain level, and is accompanied by certain characteristics of stability, repetition and concentration on a few origins, new tourism products appear as alternatives to the more traditional package supplied by TO.

These new products – secondary homes and time sharing – have a common and very important characteristic: the separation of air transport from the accommodation. The new products do not seem to require the existence of the traditional accommodation firm – hotel and/or self-catering apartment – since they are marketed through different channels and only require uninterrupted and regular air access to the islands.

Apart from the number of visitors, the other factors mentioned above – stability, repetition and concentration on a few origins – have in common that they permit easy access to a tourist destination. These factors are responsible for the availability of a sufficient supply of air transport, which is a prerequisite for the growth of SH and TS. Those same factors also favour the new supply since they affect positively the future value of the investment asset in SH and TS. In fact, more than anything else SH and TS are a real estate investment directed towards nonresidents, i.e., directed to the same potential demand as IT .

One other factor that helps the growth of both SH and TS is the non-seasonality of the visitors to an island. This is due to the relationship between seasonality and air transport: the smaller the seasonality the greater will be the availability of air transport to the island during the entire year. Moreover, the value of the assets will be higher when the possibilities of use increase. This is one of the reasons why the island of Tenerife has seen an impressive growth in the new supply, since the average monthly number of visitors was approximately 260,000 during 1991, with a standard deviation of only 37,000. In fact, during the four months of the summer season – June to September – Tenerife receives only 36% of its annual visitors.

From all the above it can be deduced that there exists a close dependency of the new forms of supply on the previous existence of a traditional accommodation sector – the one dependent on the IT package – that guarantees easy access, through air transport, to the tourist resort at competitive prices. SH and TS would not be so competitive if access was available through schedule flights only.³

2. In fact, the increase in the number of visitors to the island of Tenerife, already described above, occurred during the period 1985-88, going from 1.65 million in 1985 to 2.5 million in 1988 i.e. an increase of 51.5%. The Canary island with the greatest growth during the same years was Lanzarote, with an increase of 92% - from 388,216 in 1985 to 745,246 visitors in 1988 (Becerra-Domínguez and Navarro-Ibáñez, 1992).

3. The liberalisation of air transport may affect even more the future of SH and TS, allowing for greater growth of both forms.

It is really quite paradoxical to note that the new forms of supply are simultaneously competitive and dependent with respect to traditional accommodation, i.e., hotel and apartment as part of a tourist package .

THE NON-TRADITIONAL ACCOMMODATION SUPPLY

The broad concept of SH includes different forms depending on who owns the house or apartment and the main use given to it. In the first place, we have the SH owned by residents for their own and exclusive use. This modality does not enter the tourism industry as such though it has an effect upon it since it competes for land with hotels and apartments of the traditional supply. This competition is important because SH tend to be localized in scenic areas with high opportunity costs. These costs provide incentives to the owners of SH to include their asset in the second form describe now. This second type is the house or apartment owned by residents of the islands and rented directly during part or the whole year to nonresidents as an alternative accommodation. This type of SH is usually marketed through informal or marginal channels. In any case, this modality has a direct effect on the total supply of accommodation.

A third type of SH is that where the owner is a nonresident and which potentially also have a double use, i.e. exclusive use by the owner or rented to others. In both cases they affect the total supply of the industry given that the house or apartment is owned by a nonresident.

When the owner is a nonresident there are also changes in the external economic relations of the island. At the moment of purchase there will be a direct real estate investment. If the asset is rented subsequently, there will be external payments for that reason.

This paper deals with SH which become a part of the accommodation supply, independently of who the owner is, i.e. the second and third types described above. In any case, the effects of the first type could also be considered as a competitive use of the scarcest resource of a small island, i.e. land.⁴

With the development of new forms of supply, the absence of direct marketing by the local tourism firm becomes even a more serious problem. In this case, the accommodation firm gives way to a conglomerate of enterprises, where the initiative is taken over by real estate firms. Together with a financial company, the latter commence the promotion of a resort. Later, they will look for a firm to market the TS resort or they will sell directly (SH). The sale of these products is tantamount to the selling of an asset. This is the reason why the final decision taken by the buyer depends basically on financial analysis. On the contrary, the decision of a client of the traditional supply is merely a consumer decision.

Traditional firms see their role reduced, given that the main product offered is now a real estate asset. Firms are forced to limit themselves to providing only the management of TS complexes or in the case of SH a minimum maintenance and security service. The management of a TS complex is "easier" since the main assets are never the property of the firm.

As we saw above, the relatively easy access to tourism activity did not require major specialization from entrepreneurs or, for that matter, the development of any commercial ability. Now, with the new forms of supply, the requirements on entrepreneurs are even less demanding since they do not need to have the capacity to combine the different productive factors in order to offer a product in a continuous form.

The new supply-types favour a potentially attractive change to entrepreneurs since the selling of an asset has an important financial effect as compared to the use of the same asset in order to obtain a continuous return over a long period. This is even more the case, given that the power to affect the price is so limited due to the atomization of the traditional supply of accommodation in a small island. Later on, we will present some of the constraints on the process of entrepreneurial adjustment to the new supply-types.

The most important and far-reaching economic effect of the new forms of accommodation supply is their non-entrepreneurial character. Previously, tourism activity did not require from local firms the marketing function. Now, however, the new developments do not even require even the existence of firms to supply the accommodation complement of the tourist package.

The attraction of these new forms for the traditional or new entrepreneur lies in the financial effect of

4. The growth of SH owned by residents also reduces potential demand for traditional accommodation.

obtaining here and now the discounted payments for future stays. In fact, one strong single sales effort is a good alternative to the continuous negotiation and selling in a market dominated by TO. Moreover, from a dynamic point of view, there is one additional element that helps the development of the new forms, namely, the current rate of growth of the supply of accommodation; this is something that has a direct effect on the expectations for the future. These expectations also tend to propitiate the development of the one-off-sale (SH and TS) ahead of continuous marketing through time –traditional accommodation.

Another dynamic factor working in favour of the new forms is the critical importance of externalities in tourism activity. Tourism features many elements which directly affect the quality of the service provided and which are beyond firms' control, i.e. basic public services and the environment. This situation increases the risks involved in investments in tourism. On the contrary, these risks are attenuated or even disappear if the chief investment is in assets which can then be liquidated by means of a one-off-sale.

Tourism firms also face externalities derived from the characteristics of demand –consumers value the natural attractions of a tourist resort. Moreover, the fact that both SH and TS assure part of total tourism demand –since the owners have to gain profit from their purchase – makes for less competition among local accommodation firms. As a result, the lower competition as well as the externalities in tourism activity affect negatively, as Porter (1990) has shown, the global competition of the resort.

From a dynamic point of view, the process through which tourism becomes a non-entrepreneurial activity and a less competitive industry leads to a situation in which the export of tourism services is replaced by the sale of potentially productive assets to consumers. This places a question mark against the ability of an island to compete with alternative tourist destinations.

In any case, there are some limits to the conversion of traditional entrepreneurs to real estate sellers (promoters) of SH and TS. Let us deal with the difficulties of TS. One of the characteristics of TS is the high marketing cost of the sale. Sellers have to find buyers for the 50 weeks of the year in nonresident markets and to do so they must use channels which are much less developed than the usual travel agencies. As is well known, TS promoters have to contract the services of a marketing firm to sell directly to customers in the traditional markets (in the case of the island of Tenerife, U.K., Germany, Belgium, etc.). In many instances, there are also sellers who use aggressive sales campaigns and even harassment to try to reach the tourists in the resort. In fact, they are targeting the same demand as is catered for by the traditional accommodation industry.

Apart from the marketing/selling process, a further limitation is the complexity of the entire operation as a result of the real estate characteristics of TS. Thus, the sale needs to be financed through the usual banking arrangements, all the more so when the transaction is of an international nature and involves a firm based in a tax haven. Furthermore, a different company has to take care of the upkeep and security of the complex. This type of management is different in that the owners do not have real control, due to the impossibility of bringing them all together at once. Lastly, the timeshare resort has to be integrated in an international club or association to allow TS owners to exchange their weeks.⁵

COMPARISONS WITH TRADITIONAL ACCOMMODATION

This section provides a short summary of the benefits and costs of SH, TS and traditional accommodation with respect to each other and from the point of view of both the consumers and the industry. These comparisons have not been made before and at the risk of sounding repetitive, we strongly believe that they are necessary for a fuller understanding of the issues discussed in the present paper.

Since TS is a supply-type which lies half-way between SH and the more traditional accommodation, let us first deal with TS.

Comparisons for Consumers

Comparisons between TS and SH

Advantages of TS over SH:

- (a) Lower purchase and upkeep/maintenance costs;
- (b) The possibility of buying higher-quality accommodation;
- (c) The possibility of joining an international exchange club or association.

5. A good scheme of the structure of the time share industry can be found in Goodall and Stabler (1992: 177)

Disadvantages of TS with respect to SH:

- (a) Limited use in terms of number of days;
- (b) The cost of purchase in relation to use is at least three to four times higher;
- (c) The value of the asset and the possibility of selling it are much more limited in the case of TS. The secondary market is virtually nonexistent for TS whereas SH may profit from local and international markets;
- (d) The management of a TS resort is quite independent of the owners, of whom there are too many, which makes it more difficult to bring them together at one time;
- (e) If an international club excludes the resort from its exchanges, the value of the asset will fall accordingly;
- (f) The unclear legal status of TS or the legal differences between the country of the buyer of TS and that of the resort.

Comparisons between TS and traditional accommodation

Advantages of TS over traditional accommodation:

- (a) More security about the kind of accommodation initially desired. This advantage is even more important when supply is restricted in relation to demand;
- (b) Payment (one-off) secures a fixed price for the accommodation;
- (c) The possibility of obtaining a higher resale value for the investment in the asset. However, the sale is more difficult for TS given the lack of a secondary market, which can not really be created as long as the supply of traditional accommodation is so great and varied.

Disadvantages of TS with respect to traditional accommodation:

- (a) TS reduces freedom of choice as to where to spend one's holidays, even taking account of exchanges possibilities;
- (b) The quality of the service may deteriorate more in TS, given the lack of motivation of TS resort managers who, unlike their traditional accommodation counterparts, do not own the "productive" assets;
- (c) TS does not guarantee access to accommodation. This point is crucial in the case of islands, where the dependence on air transport is total;
- (d) Access is too expensive if it has to be done through scheduled flights. TS depends on the availability of seat only on charter flights.

Comparisons between SH and traditional accommodation

Advantages of SH over traditional accommodation:

- (a) SH fully guarantee accommodation for any date desired;
- (b) SH provide today a fixed price for all future stays;
- (c) Possible increase in the value of the asset;
- (d) Future holidays are cheaper in SH since the accommodation has already been paid for.

Disadvantages of SH with respect to traditional accommodation:

- (a) SH reduce the freedom to choose the holiday destination;
- (b) SH do not guarantee access to accommodation;
- (c) The costs and taxes related to the property of a real state asset must be paid, even though the asset is not used on a permanent basis;
- (d) Lower availability and quality of services in SH resorts;
- (e) The cost/use relationship is much higher in SH than in traditional accommodation.

Comparisons for Industry

Comparisons between TS and SH

Advantages of TS over SH:

- (a) Higher level of production (stays) and of stable employment as well as a more efficient utilization of resources;
- (b) Lower ecological impact since the utilization of land per tourist is much less extensive;
- (c) Lower private appropriation of natural and scenic attractions;
- (d) Lower demand on public services;

Disadvantages of TS with respect to SH:

- (a) TS is more difficult to market/sell and has much greater sales costs.

Comparisons between TS and traditional accommodation

Advantages of TS over traditional accommodation:

- (a) It is an added product to be offered in the market, even though strictly speaking it is more a real

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- estate asset than a tourism product;
- (b) Demand is more stable;
 - (c) The owners of TS tend to be from higher income levels and therefore have greater spending power. Therefore, spending per stay will tend to be higher (however available data indicates that this is not the case in Tenerife);
 - (d) TS makes for a lower seasonality of demand.

Disadvantages of TS with respect to traditional accommodation:

- (a) The growing non-entrepreneurial character of the industry;
- (b) Lower incentives to maintain the necessary reproduction conditions of the industry as a whole, given the real estate characteristics of TS;
- (c) Lower income and generation of employment;
- (d) TS does not require new demand. Rather, it usually thrives on the demand of traditional accommodation and thus competes with the latter;
- (e) Damage caused to the image of the place product due to aggressive sales techniques, which go as far as harassment of potential customers.

Comparisons between SH and traditional accommodation

Advantages of SH over traditional accommodation:

- (a) It is an additional product to be offered in the market, although it is more a real estate asset than a tourism product;
- (b) Demand is more stable;
- (c) Duration of stays tends to be greater;
- (d) SH owners have higher incomes;
- (e) SH may reduce the seasonality of demand.

Disadvantages of SH with respect to traditional accommodation:

- (a) The growing non-entrepreneurial character of the industry;
- (b) Lower incentives to maintain the necessary reproduction conditions of the industry, given the real estate characteristics of SH;
- (c) Lower income and generation of employment;
- (d) SH do not require new demand. It is a product which competes for the top segments of the tourism market, i.e. the demand for high quality hotels and apartments.
- (e) Extensive land use, which makes the resource more expensive for alternative uses.

GLOBAL EFFECTS OF THE GROWTH OF THE NEW MODALITIES

The analysis carried out thus far has placed the emphasis on the characteristics and direct effects of both SH and TS. This section will highlight the more general effects on economic activity as well as the implications for the future of an island. In any case, it should be recalled that, so far, the new forms are still quantitatively less important than the more traditional form of tourism. As was stated in the introduction, only one-fifth of the foreign visitors who come to Tenerife do it on a seat-only basis on charter flights.

Let us now analyze the differential effects upon the macroeconomic variables of SH and TS with respect to traditional accommodation.

The new modalities tend to increase the volume of investment, given the expectation of more rapid recovery of the funds invested. This makes for better financial terms for the construction of SH and TS complexes than for traditional accommodation due to the possibility, at least in part, of advance sales as well as better bank financing terms given the faster maturity period.

It could be argued that this shortening of the recovery period of investment allows for a greater rate of growth of the economy. However, this argument can be maintained only if good investment opportunities exist also in the other productive sectors. In small islands, the returns created by real estate sales are usually reinvested in the same sector given the low capacity of absorption of the other sectors of the economy.

The higher returns of the real estate sector tend to attract a greater volume of resources, particularly usable land –the most scarce resource–. This also makes all the productive activities more expensive, which causes negative effects upon the process of resource allocation and in particular upon traditional accom-

modation. One of the most negative consequences for the island economy is that the process described in this paper tends to favour the growth of rent seekers over entrepreneurs.

The higher returns from the sale of real estate assets and the low capacity of absorption by the rest of the productive sector produce the growth of consumption. Moreover, the wealth effects of the sale of assets in an island economy leads mainly to increased imports of consumer goods. On the contrary, reducing the ability of the island economy to generate future income tends to diminish exports. The growth of SH and TS worsens the external imbalance on current account.

As regards inflation, the growth of consumer demand, combined with the higher construction activity, tends to increase prices overall.

Let us also consider the effects on the finances of the public sector. On the income side, the growth of SH and TS decreases the ability to generate future incomes and produces a reduction of the taxable base. SH and TS may also increase public revenues but only in the short run. Indeed, this may not even happen given that TS is usually sold through firms situated in a well-known tax haven.

On the expenditure side, SH and TS increase the need for basic public services due to their greater use of land per person than traditional accommodation. Even though the private costs generated by the increase in those services may be recuperated through local taxation, they do not seem to cover the real social costs of the very limited space of a small island.

As has been reiterated throughout this paper, both SH and TS have a lower capacity than traditional accommodation to generate incomes and employment due to the lower value added of the service performed. This effect is even more important in the case of an island economy with relative high rates of unemployment, poor education, low skills and a high birth rate.

The natural environment is the main input of tourism in small islands. The three forms of accommodation discussed in this paper have a potentially different impact on the environment and thus upon the sustainability of the activity.

SH uses space more extensively. It could be argued that very expensive SH may enhance an island's international image. This may be true but usually, through a demonstration effect, SH tends to increase with lower and lower quality housing occupying the best parts of an island.

SH implies the private enjoyment by a small group of people of the best land, i.e. the main input of tourism in islands. Furthermore, use does not take place throughout the year. For this reason, its opportunity cost is also quite high when we consider the sector supplying more traditional accommodation. SH does not permit an intensive use of land and produces excessive urbanization. Thus, SH reduces the quality and value of the natural environment of an island.

Moreover, SH owners do not have as much power as the suppliers of traditional accommodation in terms of forcing public administrators to preserve the quality of the environment. The reason for this lack of power is that the assets of SH owners are not integrated in any productive activity.

Timeshare has a lower impact than SH on the environment (the same impact as traditional accommodation) since it uses land more intensively; therefore, TS needs less land. Once the economic life of an asset has been completely sold, the environment is no longer an input of the productive activity in TS and SH. As a result, incentives to protect the environment are much lower in SH and TS than in traditional accommodation, where it is a necessary input since its product is the continuous sale of one or two-week holidays on the island.

The arguments set out in this paper should not be taken as implying that tourism construction should be of high volume and excessively land-intensive in a quasi-urban environment. We are saying rather that the growth of tourism construction should not extend throughout the entire island. In fact, the latter situation would be much more negative. A low quality and ugly resort may be improved whereas the massive occupation of a limited space with natural attractions may lead to a situation of no return.

CONCLUSIONS AND RECOMMENDATIONS

From the analysis carried out in this paper, it can be seen that the growth of SH and TS generates negative conclusions alone, particularly where said growth substitutes traditional accommodation in tourism activity. From the point of view of the generation of revenues and employment, not to mention the environment, SH and TS provide smaller returns than traditional accommodation for an insular economy. In fact, both SH and TS place a strong question mark against the future of tourism, making it less sustainable in islands.

What recommendations can be given?. Any recommendation should aim to avoid the perverse effects on the allocation of resources, by preventing the development of those conditions which tend to favour the growth of SH and TS.

In the first place, a greater productive scale for the local industry through concentration of both hotel and apartment firms, so as to obtain better terms from TO. Also, it is necessary to develop the commercial skills needed to reach directly alternative segments of the market -sports, conferences, etc.- which are not controlled by TO.

Secondly, the public sector should plan land use from an insular perspective. The externalities of tourism activity and the competition of municipalities for more revenues make greater collaboration among them necessary. Thus, even if the resort is located in one area while the surrounding areas are not to be used for urbanistic purposes, all the local government bodies should benefit from the revenues generated by tourism.

Thirdly, secondary homes should be sited within urban or rural areas which are already populated, thus avoiding the scattered construction of developments in natural areas with scenic qualities.

In the fourth place, it is necessary to put an end to the unclear legal status of timeshare. One way to do this is through requiring a greater and more open role of the promoting firm in relation to the future exploitation and viability of timeshare resort. These requirements should also include greater fiscal transparency for all the operations of timeshare.

Finally, all the economic agents in tourism activity in a island must take extreme care with the environment, which is the main input of sustainable tourism. In economic terms, they should internalize all the social costs and, in particular, they will have to evaluate in advance the development of new forms of accommodation and land management which might have potentially negative effects on their main input. To sum up, they should avoid entering a no going-back situation.

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