

BASIC CONCEPTS OF THE TOURISM SATELLITE ACCOUNT (TSA)

Table of contents

1. Overview
2. A new international standard
3. The importance of partnership in developing Tourism Satellite Accounts
4. Starting the process
5. Examples from around the world: Australia – Canada – Chile – New Zealand – United States

1. OVERVIEW

Tourism is the first activity to use worldwide Satellite Account standards to measure its impact on national economies – as approved by the United Nations in March 2000.

What is a Tourism Satellite Account (TSA)?

A Satellite Account is a term developed by the United Nations to measure the size of economic sectors that are not defined as industries in national accounts. Tourism, for example, is an amalgam of industries such as transportation, accommodation, food and beverage services, recreation and entertainment and travel agencies.

Tourism is a unique phenomenon as it is defined by the consumer or the visitor. Visitors buy goods and services both tourism and non-tourism alike. The key from a measurement standpoint is associating their purchases to the total supply of these goods and services within a country.

The TSA is a new statistical instrument designed to measure these goods and services according to international standards of concepts, classifications and definitions which will allow for valid comparisons with other industries and eventually from country to country and between groups of countries. Such measures will also be comparable with other internationally recognized economic statistics.

The TSA:

- provides credible data on the impact of tourism and the associated employment
- is a standard framework for organizing statistical data on tourism
- is a new international standard endorsed by the UN Statistical Commission
- is a powerful instrument for designing economic policies related to tourism development
- provides data on tourism's impact on a nation's balance of payments
- provides information on tourism human resource characteristics.

Why do you need a TSA?

There is an acute shortage of information on the increasing role of tourism in national economies worldwide, hence the need for reliable data relative to the importance and magnitude of tourism using the same concepts, definitions and measurement approaches as other industries. With the TSA, governments, entrepreneurs and citizens will be better equipped for designing public policies and business strategies for tourism and for evaluating their effectiveness and efficiency.

Development of a Tourism Satellite Account framework has been fuelled by the recognition that its implementation will serve to:

- increase and improve knowledge of tourism's importance relative to overall economic activity in a given country;
- provide an instrument for designing more efficient policies relating to tourism and its employment aspects; and
- create awareness among the various players directly and indirectly involved with tourism of the economic importance of this activity; and by extension its role in all the industries involved in the production of goods and services demanded by visitors.

The TSA – a balancing act of demand versus supply

Tourism measurements, in order to be credible and comparable with other industries in a country's economy, must follow concepts and definitions consistent with internationally accepted macroeconomic guidelines such as the System of National Accounts (SNA93).

The fundamental structure of the TSA therefore relies on the balance existing within an economy between on one hand, the demand for goods and services generated by visitors and by other consumers and on the other hand, the overall supply of these goods and services. The idea is to analyze in detail all aspects of demand for goods and services, which are associated with tourism within the economy, and to measure the relationship with the supply of such goods and services within the same economy.

So what does it all mean ... well, we will be able to measure:

- tourism's contribution to Gross Domestic Product (GDP)
- tourism's ranking compared to other economic sectors
- the number of jobs created by tourism in an economy
- the amount of tourism investment
- tax revenues generated by tourism industries
- tourism consumption
- tourism's impact on a nation's balance of payments
- characteristics of tourism human resources.

How we got there

- 1983 WTO presents "Determination of the importance of tourism as an economic activity within the framework of the National Accounting System"
- 1991 WTO International Conference on Travel and Tourism Statistics in Ottawa
- 1992 OECD developed its Tourism Economic Accounts
- 1993 Adoption of the System of National Accounts (SNA)
- 1994
 - Adoption of the WTO/UN Recommendations on Tourism Statistics
 - Canada's initial national Tourism Satellite Account is announced
- 1995
 - OECD issues first guidelines for a TSA
 - Adoption of a legal framework for an integrated system of basic statistical information on tourism supply and demand developed by Eurostat
- 1999 Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism in Nice
- 1999 Creation of the WTO-OECE-Eurostat Inter-Secretariat Working Group
- 2000 Adoption by UN of the TSA methodology
- 2001 CTC Conference on Tourism Satellite Accounts in Vancouver.

Who can benefit from it and how

The TSA provides decision-makers with a tool for:

- polity making
- reliable data on the impact of tourism on the economy and on employment
- measuring domestic and non-resident tourism and the associated employment
- comparisons with other economic sectors
- and in the future, international comparisons.

A partnership involving:

- World Tourism Organization (WTO)
- Organization for Economic Cooperation and Development (OECD)
- United Nations (UN)
- Eurostat
- Government Statistical Agencies
- National Tourism Administrations
- Central Banks.

2. A NEW INTERNATIONAL STANDARD

The World Tourism Organization (WTO) plays a central role with regard to the international comparability of data related to tourism activity. More concretely, the WTO focuses its statistical work essentially on the following:

- promotion of inter-institutional cooperation (national and international) among those agents that, because of their level of administrative competence or for any other reason, show special interest in tourism statistical information as an essential and priority element in the development of the national System of Tourism Statistics (STS) and, eventually, of the Tourism Satellite Account (TSA);
- collection of statistics provided officially, upon request by the national tourism administrations or national statistical offices of the various countries and/or by international organizations. These data are used by WTO in its work on international comparability essential for gauging the economic impact of tourism;
- conduct of seminars, publication of technical documents and organization of assistance programmes to help countries apply standards approved by the United Nations Statistical Commission (UNSC); and
- proposal of standards to be used by the international community in devising their national STSs and the TSA.

On the two sets of international recommendations in the field of tourism statistics approved by the UNSC:

- the first (1993) relates to the development of national STSs (i.e. the concepts, definitions and classifications to be applied for this purpose); and
- the second (2000) to the development of the TSA, a statistical tool that is the unifying element of most of the components of the STS. These components are considered to be both the statistical operations themselves (i.e. statistics drawn from surveys and administrative registers, operations of statistical synthesis as in the TSA, etc.) and the specific tools and mediums used at some stages of the work that those operations entail (as is the case of classifications).

For the WTO this second set of recommendations is the product of the work it has carried out since 1982 on expanding the conceptual framework required for the determination of the importance of tourism as an economic activity within the framework of the national accounting system.

WTO believes that in order for the STS to be, in its own right, a subsystem of the corresponding national System of Statistics, it is necessary to have a Tourism Balance of Payments in addition to a TSA. As pointed out in the draft prepared by WTO, this would be another instrument for unifying the referred subsystem, a function that the Balance of Payments performs for each country's national System of Statistics.

3. THE IMPORTANCE OF PARTNERSHIP IN DEVELOPING TOURISM SATELLITE ACCOUNTS

Background

The development of a Tourism Satellite Account (TSA) requires a diverse knowledge base consisting of those individuals who understand the statistical nature of the information to those who know the requirements of the tourism businesses and organizations who will use the information. Therefore, a multidisciplinary team that can partner and share the resources and required skill set is needed in order to develop a country's TSA. The nature of the principal actors in the national arena varies considerably since they have different purposes and requirements related to the TSA.

In a broad sense, the key players required in the development of a TSA include:

Agencies that produce statistics and supply basic tourism information such as:

- National Statistical Offices
- National Tourism Administrations
- Central Banks
- Associations of national tourism enterprises.

Information producing units such as tourism businesses and establishments, and other public departments, including:

- Transportation Departments
- Customs and Excise
- Immigration

Potential users of the tourism information that is produced include:

- Tourism industries
- National Tourism Administrations
- National Statistical Offices
- Central Banks
- Tourism Industry Associations
- Academics.

The TSA preparation requires the creation of an appropriate committee or commission (*Inter-Institutional Platform*), whose members will include those from the main institutional organizations. Assistance should be provided by a *Backup Team* comprised of experts appointed by each of the member organizations.

The National Tourism Administration

Generally speaking, the statistical work conducted by the National Tourism Administrations (NTAs) has been limited to a few specific aspects of tourism and has taken place on a one-time or sporadic basis. In many cases, NTAs do not have global and detailed knowledge of the information available on tourism in their own country. This is primarily due to the lack of communication with the institutions that produce tourism information or because they have no statistical infrastructure at their disposal (e.g., qualified statisticians, sufficient resources, etc.).

The National Statistical Office

The National Statistical Office (NSO) plays an essential role with regard to the preparation of the TSA, not only because it is responsible for producing basic statistics but also because it is, generally speaking, responsible for preparing the country's National Accounts and on occasion, the Balance of Payments (BOP).

The Central Bank

In some countries the Central Bank is the body responsible for preparing the BOP. Travel and passenger transport categories included in the BOP broadly correspond to those produced in the TSA tables. In those countries that create a TSA, analyses of each of these estimates would shed light on potential improvements that could be incorporated in either statistical instrument. In addition, the Central Bank could benefit from the new statistical operations that are being launched, such as operations relative to tourism expenditure, for preparing the BOP.

Tourism Enterprises

The participation and collaboration of tourism enterprises and more specifically, their corresponding national associations, are highly recommended in part because they are suppliers of much of the primary information. As members of the Inter-institutional Platform and Backup Team right from the outset they will help clarify and resolve difficulties stemming from the statistical information being accessed by the public. Their involvement will also lend more credibility to the end results.

4. STARTING THE PROCESS

Since 1995, the World Tourism Organization (WTO) has been advancing the development of the Tourism Satellite Account (TSA) project in order to promote the harmonization and comparability of the tourism statistics necessary for measuring and analysing the impact of tourism. In addition to this work, WTO has prepared guidelines and materials to assist in the development of TSAs in countries with different levels of technical skills, resources, needs and experience.

At the outset, the responsibility for launching a TSA in a country will depend on the institutional and administrative organization of each country. For instance, some countries may have a strong National Statistical Office (NSO) and a National Tourism

Administration (NTA) that are represented by both the public and private sector. In these cases, it would be sufficient for the two organizations to reach an inter-institutional agreement, whereby the NSO is put in charge of the launching of the TSA. Another situation includes those countries where the general statistical infrastructure is not sufficiently developed and/or the tourism representatives do not have sufficient influence in their national governments.

Regardless of the various country situations, WTO proposes as a general recommendation, the creation of an *Inter-Institutional Platform* (e.g. committee or commission), headed by the National Tourism Administration (NTA) and ideally represented by the senior administrative tourism authority. Members should include at least the National Statistical Office (NSO), the Central Bank (CB), and any other public bodies that represent important administrative sources for the TSA project, and a private sector representative.

In all events, irrespective of their level of socio-economic and statistical development, all countries should use the following instruments to justify the decision to set up and develop a TSA:

- a description of the country's System of Tourism Statistics (STS)
- a review of the country's STS
- a feasibility study of the country's TSA
- a pilot project of the country's TSA

The structure of the STS

1. BASIC STATISTICS
 - 1.1. *TOURISM CONSUMPTION*
 - 1.1.1. Concepts
 - 1.1.2. Tourism units
 - 1.2. *TOURISM SUPPLY*
 - 1.2.1. Concepts and units
 - 1.3. *PRODUCTION FACTORS*
 - 1.3.1. Labor force
 - 1.3.2. Capital
 - 1.3.3. Technical innovations
2. CLASSIFICATIONS RELATING TO TOURISM STATISTICS
 - 2.1. *TOURISM SPECIFIC PRODUCTS (List of)*
 - 2.2. *STANDARD INTERNATIONAL CLASSIFICATION OF TOURISM ACTIVITIES (SICTA)*
3. TOURISM SATELLITE ACCOUNT (TSA)
 - 3.1. *TSA CONCEPTS*
 - 3.2. *TSA AGGREGATES*
 - 3.3. *CLASSIFICATIONS FOR TSA*
 - Tourism characteristic products (List of)
 - Tourism characteristic activities (List of)
 - 3.4. *TSA TABLES OF RESULTS*

3.5. TSA EXTENSIONS

- TSA - Regional
- TSA – Indicators
- TSA – Supranational perspective
- TSA – Functional perspective
- TSA – Institutional perspective
- Tourism Labor Accounting System

4. TOURISM BALANCE OF PAYMENTS

The description of the country's STS can be described by preparing:

- a report, to be completed for fully documented statistical operations. WTO has designed different report models for each of the six different types of statistical operations possible:
 - statistics derived from surveys
 - censuses/directories
 - statistics derived from administrative procedures
 - statistical publications
 - statistical syntheses
 - databases
- a note, to be written in the event that the documentation available is incomplete.

The review of the country's STS could be structured as follows:

- A. General appraisal
- B. Main indicators available
- C. Identification of improvements in statistical operations
- D. Identification of new tourism operations:
 - D.1. Relative to statistical infrastructure (mainly definitions, classifications and directories)
 - D.2. From the perspective of demand
 - D.3. From the perspective of supply.

The aim of the feasibility study on the implementation of the TSA in a given country is to evaluate the different approaches available in terms of data coverage, the disaggregation of the products and the industries identified and the potential number of tables, etc. The approach taken will be dependent on the established priorities and available resources (technical staff and financial resources).

Once the feasibility study has been conducted, it is given to the national tourism authority or commission to decide what scenario, with possible modifications, will be chosen to develop the country's first pilot TSA.

The main aim of the pilot project will be to develop the design of the TSA that can be prepared by a country, in accordance with their established priorities and resources.

Once the preparation of the country's first TSA is completed, the results should be considered "provisional" until a second stage is undertaken using more and better information. The last phase in the completion of the pilot exercise consists of analysing results, with the aim of providing recommendations as to how these results should be used and other types of observations that should be taken into account in future TSA preparations.

5. EXAMPLES FROM AROUND THE WORLD

The Tourism Satellite Account (TSA) has been designed in such a way –on the basis of a set of concepts, definitions, classifications and tables– as to guide countries in developing their own System of Tourism Statistics (STS).

One of the key benefits of the TSA is that it provides countries with a framework to carry out the work themselves, using data from their own statistical institutions. This economic information will help to serve the interests of both political and entrepreneurial decision-makers.

AUSTRALIA

In March 1995 the House of Representatives Standing Committee on Banking, Finance and Public Administration conducted an "Inquiry into the Impact of Australia's Taxation Regime on the Tourism Industry" and recommended in its report that:

"The Australian Bureau of Statistics (ABS), in consultation with the Bureau of Tourism Research (BTR) and other interested organizations, be provided with the resources to develop a statistical system for quantifying the significance of tourism in Australia as a matter of priority".

The basis for the recommendation was that there was limited economic information on tourism, despite observations suggesting that the economic impact of visitors is substantial in many regions.

Australia's latest published TSA based on the 1997-98 fiscal year was released in 2000, the year of the Sydney Olympics.

1997-98 fiscal year

| | | |
|---------------------------------------|---------------|-------|
| Total tourism consumption | Billions \$AU | 58.2 |
| Domestic tourism consumption | Billions \$AU | 45.4 |
| Inbound tourism consumption | Billions \$AU | 12.8 |
| Domestic share of tourism consumption | % | 78.0 |
| Tourism contribution to GDP (1) | % | 4.5 |
| Employment in tourism industries (2) | Thousands | 388.5 |
| Ratio of tourism employment to total | % | 5.4 |

(1) GDP refers to Gross Domestic Product

(2) Refers to full-time equivalent employed persons.

CANADA

As host of the International Conference on Travel and Tourism Statistics in Ottawa in 1991, Canada quickly followed up with the release of the first results of its own Tourism Satellite Account in 1994.

2000 (1)

| | | |
|--------------------------------------|----------------|-------|
| Total tourism consumption | Billions \$CDN | 54.1 |
| Domestic tourism consumption | Billions \$CDN | 37.9 |
| Inbound tourism consumption | Billions \$CDN | 16.2 |
| Domestic share of total consumption | % | 70.0 |
| Tourism contribution to GDP (1) | % | 2.4 |
| Employment in tourism industries (2) | Thousands | 546.4 |
| Ratio of tourism employment to total | % | 3.5 |

(1) These estimates are based on the National Tourism Indicators and the Tourism Economic Impact Model, both of which are extensions of the Canadian Tourism Satellite Account.

(2) Refers to full-time and part-time employment.

CHILE

The Servicio Nacional de Turismo (SERNATUR) presented in 1999, the first results of its TSA. After the pioneer work carried out by the Dominican Republic, Chile is the third country in Latin America (after Mexico), that has developed a TSA.

1996

| | | |
|--------------------------------------|----------------|---------|
| Total tourism consumption | Billions Pesos | 1,356.8 |
| Domestic tourism consumption | Billions Pesos | 519.3 |
| Inbound tourism consumption | Billions Pesos | 837.3 |
| Domestic share of total consumption | % | 38.3 |
| Tourism contribution to GDP (1) | % | 3.8 |
| Employment in tourism industries | Thousands | 166.1 |
| Ratio of tourism employment to total | % | 3.2 |

(1) Refers to value added of tourism industries.

FRANCE

The French Department created its first Tourism Accounts in the mid-1970s, focusing on demand. The first results were completed in 1980. The French approach measures consumption by domestic and foreign tourists using four different aggregates (T0, T1, T2, T3) ranging from a narrow definition of tourism to a broader one.

1999

| | | |
|--------------------------------------|-------------|-------|
| Total tourism consumption | Billions FF | 605.3 |
| Domestic tourism consumption | Billions FF | 389.7 |
| Inbound tourism consumption | Billions FF | 215.6 |
| Domestic share of total consumption | % | 64.4 |
| Employment in tourism industries (1) | Thousands | 624.4 |
| Ratio of tourism employment to total | % | 2.7 |

(1) Refers to 1998 figures.

NEW ZEALAND

Tourism plays a significant and increasing role in the New Zealand economy. The main purpose of the TSA95 was to develop a framework and methodology that would be used to produce comprehensive TSAs in the future and to identify those areas where improved data is required.

1995

| | | |
|--------------------------------------|----------------|------|
| Total tourism consumption | Billions \$ NZ | 9.1 |
| Domestic tourism consumption | Billions \$ NZ | 4.8 |
| Inbound tourism consumption | Billions \$ NZ | 4.3 |
| Domestic share of total consumption | % | 52.7 |
| Tourism contribution to GDP | % | 3.4 |
| Employment in tourism industries (1) | Thousands | 58.0 |
| Ratio of tourism employment to total | % | 4.1 |

(1) Refers to full-time equivalent employed persons.

UNITED STATES

Following the recommendations of the 1995 White House Conference on Travel and Tourism, the U.S. Department of Commerce has released three prototype sets of Travel and Tourism Satellite Accounts (TTSA's) for 1992, 1996 and 1997.

The 1997 TTSA's are derived by extending the 1996 estimates in order to provide the most recent information. The 1996 TTSA's are based on the 1992 TTSA's and the 1996 annual Input-Output account which is the latest year available.

As in 1992, the 1997 TTSA uses three alternative methodologies to derive estimates of shares of commodities purchased by visitors and non visitors. The results are presented as a range, rather than a single estimate.

1997 (1)

| | | |
|---------------------------------------|----------------|---------|
| Total tourism consumption | Billions \$ US | 461.2 |
| Domestic tourism consumption | Billions \$ US | 365.0 |
| Inbound tourism consumption | Billions \$ US | 96.2 |
| Domestic share of tourism consumption | % | 79.1 |
| Tourism contribution to GDP | % | 2.2 |
| Employment in tourism industries (2) | Thousands | 4,491.0 |
| Ratio of tourism employment to total | % | 3.5 |

(1) The figures included in this table refer to those derived using Method 2.

(2) Refers to full-time equivalent employed persons.