PART I

DESIGNING THE
TOURISM SATELLITE ACCOUNT (TSA)
METHODOLOGICAL FRAMEWORK ¹

¹ Marion Libreros, consultant of WTO, who was the material author of the 8 successive drafts of the TSA for WTO, is the author of this paper. On behalf of her special role in the process, she was a particular observer and participant of the process of elaboration of the framework.
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   English version
   French version
   Spanish versión


   English version
   French version
   Spanish version

   (Room document submitted by Eurostat, OECD and WTO for consideration at the 31st session of the Unsc (29 Feb-3 March 2000)

   December 1999
   English version
   French version
   Spanish version
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### ACRONYMS AND ABBREVIATIONS

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<th>Description</th>
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<tr>
<td>Eurostat</td>
<td>Statistical Office of the European Communities</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GFCF</td>
<td>Gross Fixed Capital Formation</td>
</tr>
<tr>
<td>ISIC</td>
<td>International Standard Industrial Classification of All Economic Activities</td>
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<td>ISWP</td>
<td>Inter-Secretariat Working Party</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation of Economic Cooperation and Development</td>
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<td>NPISH</td>
<td>Non-profit institutions serving households</td>
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<tr>
<td>SICTA</td>
<td>Standard International Classification of Tourism Activities</td>
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<td>UNSC</td>
<td>United Nations Statistical Commission</td>
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<td>UNSD</td>
<td>United Nations Statistics Division</td>
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<td>WTO</td>
<td>World Tourism Organization</td>
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<td>WTTC</td>
<td>World Travel and Tourism Council</td>
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I. Introduction

1. The elaboration of the Tourism Satellite Account (TSA) as a conceptual framework was a long process. It was conceived as an instrument to be provided to the community working on tourism, made of guidelines into the difficult issue of the measurement of the impact of tourism on the economy. The World Tourism Organization (WTO) took rapidly the leadership of the project, and was assisted by countries, members and non-members, interested in the topic, and other international organizations. To achieve the present result would have been impossible without their collaboration.

2. Because of the scope of the project, which was totally new within the community of researchers on tourism topics, and because of the various and ample participation of a great number of persons and institutions, it was thought useful and necessary for future researchers and users to keep records of the process itself, and the way the main features of the present framework emerged progressively from a host of ideas, which initially seemed mutually incompatible.

3. In that perspective, the present document accompanies and comments the collection of documentation about the genesis of the project and supplements the Tourism Satellite Account: Recommended Methodological Framework\(^2\), which was adopted by the United Nations Statistical Commission (UNSC) in 2000 as an international standard for all countries wishing to measure the impact of tourism on their economy. It pursues a dual objective.

4. It wants to be a memory of the process through which the TSA was actually developed in WTO, keeping track of the different topics that were discussed, how they were debated and the drafts that marked the genesis of the building of the system.

5. It intends also to show the TSA framework as a general frame for discussion, for topics that are still open to discussion. As we shall see, the elaboration of the TSA project focused on some specific topics, while others, of importance for the system as a closed one, were not analysed and developed with the same intensity. As a consequence, in those cases, a final decision had to be made, which was not always as consistent as would have been desirable.

6. In some cases, lines of work will be suggested, along which more can be done, in order to close some conceptual gaps still existing within the system itself. When reflection and experience have advanced sufficiently on a given aspect of the system, and if it is considered as relevant, time might then come for a revision of the present methodological framework.

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Both objectives, memory of the past and perspectives for the future, will be presented simultaneously, as today's new insights are building on the processes of discussions that took place in the periods before the adoption of the system, and are still open to discussion in most countries working on the subject, and within the statistical committee of WTO.

II. Brief historical review of the process of adoption of the TSA in WTO

8. In 1994, as a consequence of the International Conference on Travel and Tourism Statistics (Ottawa, Canada, 24-28 June 1991) and the approval by the United Nations Statistical Commission (UNSC) of the Recommendations on Tourism Statistics, which considered within its work project for the future the establishment of an “economic accounting framework” for tourism, the World Tourism Organization committed itself to the elaboration of such statistical setting which was called the Tourism Satellite Account.

9. In order to accomplish such mission, the World Tourism Organization hired the services of a consultant, Mrs. Marion Libreros, in order for her to elaborate such a proposal, which would be discussed in a Steering Committee, until reaching some sort of agreement on its final form and content. Nevertheless, the Steering Committee had to be understood as a consulting board, the final decision being in the hands of the WTO secretariat.

10. The objective was to obtain a final version of a TSA framework ready for adoption at the “Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism”, to be held in Nice in June 1999\(^3\). This objective was finally met, and this forum approved the document that was submitted to the XIII General Assembly of WTO (Santiago de Chile, Chile, 27 September-11 October 1999). Within the motion of approval, the General Assembly entitled the Secretariat of WTO to join with other international organizations which had participated in the discussion of the project, in order to submit a joint proposal to the United Nations Statistical Commission in its next session on March 2000, with a view of its adoption as an international standard within the system of specific statistical standards annexed to the System of National Accounts.

11. Before getting to the Nice conference, beginning in January 1995, 8 successive versions of the conceptual framework were presented and discussed in different forums: first of all, within the Steering Committee until June 1998, where a basic approval of the draft was achieved; then in a special committee (the TSA Working Group) was set up and worked during the second half of 1998 with the view of accelerating the fine tuning process; finally, the WTO World Conference held in Nice in June 1999 was the last instance of approval of the proposal. The document proposed to the consideration of the General Assembly, and approved by this body, had built

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\(^3\) This moment was symbolically important as Enzo Paci had been the promoter of the project, which finalization he unfortunately was not able to see.
on the Recommendations on Tourism Statistics, adopted as a conclusion of the Ottawa conference in 1993\(^4\), although in some important topics, it had deliberately taken different options, or opened new grounds in order to achieve consistency with the System of National Accounts (SNA93). Some of such areas were the definition of visitor consumption, the treatment of the acquisition of consumer durable goods by visitors, that of non market transactions and the territorial determination of tourism consumption to name a few. These aspects will be discussed in detail in the present document.

12. After that important stage and the approval of the document in this Conference, a new round of discussions was set off, in order to secure the consensus of other international organizations and the approval of the framework by the United Nations Statistical Commission. In September 1999, an Inter-secretariat Working Group was set up, where OECD, Eurostat and WTO were represented, in order to reach a common conceptual framework. This Inter-secretariat identified in the first place the aspects where convergence had to be sought\(^5\), and defined the main areas of discussion. Finally a document of consensus resulted from this work that, with some ultimate amendments, was finally adopted by the United Nations Statistical Commission in March 2000. A final document was then prepared for final approval and publication under the name: “Tourism Satellite Account: Recommended Methodological Framework” (TSA:RMF). The publication was finally ready for release and it was officially remitted to the tourism community at the “Tourism Satellite Accounts: Credible Numbers for Good Business Decisions Conference”, organized by the Canadian Tourism Commission and sponsored by various other organizations, held in Vancouver, Canada, 8-10 May 2001.

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\(^4\) UN/WTO Recommendations on Tourism Statistics, New York, 1993. Further referred to as REC93. This document can be acquired through the WTO WEBSITE (www.world-tourism.org) INFOSHOP.

\(^5\) See document referred as report to the 31\(^{st}\) session of the ACC Subcommittee on Statistical Activities 14-16 September 1999 “Tourism Satellite Account - The design of a conceptual framework for the elaboration of the TSA: World Tourism Organization (WTO) proposal in relation to other initiatives presented by the OECD and Eurostat”.
13. The following was the sequence of drafting which resulted from this process:

<table>
<thead>
<tr>
<th>Number</th>
<th>Identification of the draft</th>
<th>Date of issue</th>
<th>Date of discussion</th>
<th>Forum of discussion</th>
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<tr>
<td>1</td>
<td>Draft 1</td>
<td>January 1995</td>
<td>3-5 June 1996</td>
<td>4th Meeting of the Steering Committee</td>
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<td>2</td>
<td>Draft 2</td>
<td>December 1996</td>
<td>April 1997</td>
<td>5th Meeting of the Steering Committee</td>
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<tr>
<td>3</td>
<td>Draft 3</td>
<td>March 1997</td>
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<td>5th Meeting of the Steering Committee</td>
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<td>4</td>
<td>Draft 3(b)</td>
<td>October 1997</td>
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<td>6th Meeting of the Steering Committee</td>
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<tr>
<td>5</td>
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<td>January 1998</td>
<td>19-20 March 1998</td>
<td>6th Meeting of the Steering Committee</td>
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<td>8</td>
<td>Document for the Nice conference</td>
<td>March 1999</td>
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<td>World Conference</td>
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<td>February 2000</td>
<td>March 2000</td>
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<tr>
<td>FINAL</td>
<td>Final document</td>
<td>March 2000</td>
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14. The present document will focus mostly on the 8 versions of the document until the Nice Conference, which were the basis of the work within the framework of WTO. Some other additional documents, which were helpful in the discussion, will also be mentioned when relevant.\(^6\)

15. It must be observed that in two circumstances (Drafts 2 and 3, Drafts 3(b) and 3 Rev 1), two different versions were submitted at the same meeting of the steering committee. This rather unusual situation responds to the fact that, because of the large lapse of time between the completion of a draft and its discussion in an open and large forum\(^7\), discussions went underway between the author and members of the committee on version that had been

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\(^6\) These can be found in the documentation that is joined to this paper.

\(^7\) Most of this time was set apart for translation and in order to leave time to the members of the committee to study the document.
distributed. These generated new suggestions and ideas which discussion right away would accelerate the process of definition of the system. Obviously, this was the source of some confusion, because not all the participants had the opportunity of studying both versions of the document that were on the table. This was principally the case of participants using languages different from English, as a translation of the second document that was on the table was usually not available on time.

16. In order to illustrate the evolutions of the documents during this process, tables are joined (Annex 1 and 2) which, in a synthetic and synoptic way, present the content of each draft under the following headings:

- Basic orientation
- Definition of Tourism
- The demand approach
- The supply approach
- Classifications
- Specific issues discussed
- Tables
- Aggregates and ratios characterizing tourism in an economic context

17. In the first versions of the proposal, the reference to SNA93 was very strong, and the satellite characteristic of the system proposed was highly emphasized. The system itself was presented in terms strongly related to the central framework of SNA93: the language used was easily understandable by technicians in national accounts as it was familiar to them, but difficult to grasp for tourism specialists. Overtime, the language and the presentation changed in order to adapt to the intended users of the document: principally tourism specialists, who are more familiar with different conceptual references. In the document presented and approved by the Nice World Conference, an annex was still dedicated to emphasize and to develop the basic references coming from SNA93. This explicit reference disappeared in the final document.

18. A selected number of topics were at the centre of the discussions of the different proposals, and the present document pretends to track how they surged, were discussed and how, progressively, a common solution emerged.

19. Each version of the draft was a complete version of the document. As a consequence, some parts are identical from a version to the following one, with only very few editing type modifications. This occurs when no specific conceptual changes had been made in this particular part of the document between drafts. As a consequence of this procedure in which the meetings did not focus on a special issue, but where, in most cases, a general discussion of the document was always proposed, the debate concentrated on what was considered as the central issues or those which were felt as more controversial: non market consumption and particularly second homes, consumer durables, coverage of consumption, definition of characteristicity.
Nevertheless, some other topics, which were also important, were left out of the discussion. This was the case of the treatment of goods in the system, the content and coverage of gross fixed capital formation (discussed only marginally) or the format of the tables themselves. As a consequence, certain topics still require further analysis, discussion and final decision.

20. After revising some issues of classification and general concepts regarding mainly the variable of tourism consumption, the central topic of the framework (part 2), we shall discuss that of tourism value added and tourism GDP (part 3), the main objective of the TSA compilation according OECD. Having shed light on these issues, many of the questions under discussion will then have received some type of response as they are highly dependent on these first issues. Then, the document will focus on other relevant aspects but not as central, such as that of housing services provided free of charge (part 4), the case of consumer durable goods within tourism consumption (part 5), the treatment of non cash (non monetary) transactions in the TSA (part 6), the definition of tourism characteristicity of products and activities in the TSA (part 7), the treatment of goods purchased by visitors in the TSA (part 8), the case of tourism gross fixed capital formation (part 9). Finally, (part 10) some other issues of interest will also be discussed such as the definition of the usual environment, a central topic for tourism; tourism and the displacement of demand, and how duty free purchases and transit visitors are considered in the framework.

III. Tourism Consumption

Visitor consumption: total consumption expenditure made by a visitor or on behalf of a visitor for or during his/her trip and stay at destination.

REC93¶84.,85. TSA:RMF ¶2.28.

III.1. Definition

21. REC 93 have an uncertain way of referring to the activity of consumption of visitors, both in general terms, and in a restricted way, in particular when it points to the geographical boundaries within which consumption takes place.

22. “Total consumption expenditure made by visitors or on behalf of visitors...” is designated by the term “tourism expenditure” (REC93 ¶85.) At the same time, in this document, the notion of tourism expenditure is said to be "closely linked" to that of tourism consumption, although the precise nature of this link is never stated.

23. Within this context of uncertainty, from draft to draft, the terminology in the TSA evolved, and oscillated between the term "expenditure", and that of "consumption", under a growing understanding of the multiple possible scopes of this concept.
III.2. Scope of tourism consumption

24. The issue of the scope of tourism consumption encompasses various elements and was the object of much debate and discussion. The topics which were discussed were mainly the following:

- Should tourism consumption restrict to expenditure in cash, or should it also encompass other expenditure, as does final consumption of households in SNA93?
- Should tourism consumption restrict to acquisitions occurring during trips, or should it also encompass some expenditure made before or after the trip, and in this case, which should be the criteria to determine their inclusion?
- Should tourism consumption restrict to the acquisition of services, or should it also include goods?

IV. Tourism consumption encompasses more than visitor final consumption expenditure in cash

Components of visitor consumption:
- visitor final consumption expenditure in cash: This always represents the most important component of total consumption;
- visitor final consumption expenditure in kind;
- Tourism social transfers in kind;
- Tourism business expenses.

TSA:RMF ¶2.43

25. Before getting to this conclusion, which seems in contradiction with the use of the terminology in the past, or which, at least, had not been stated nor discussed previously in such terms, many intermediate discussion and papers were circulated, treating on this issue. ⁸

26. The first draft made no explicit reference to the content of the concept of consumption, and implicitly considered that its scope and coverage were identical to those used in national accounts. It did not specify if the identity of definition was to be applied to final consumption expenditure of households or to the new notion of actual consumption of households introduced in SNA93: it stuck literally, to the definition given in REC93 and only observed

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⁸ For those interested in the topic, they might refer to specific papers such as: “Household consumption in SNA and its relationship to tourism consumption in the TSA-RMF” which can be found in the documents annexed to this paper.
that the explicit exclusions mentioned in these recommendations did not all correspond to final consumption expenditure of households in SNA93\textsuperscript{9}.

27. **Draft 2** entered somewhat more deeply in the implications of the definitions adopted in REC93 and deduced that, because of the inclusion of all expenditure made by third parties "on behalf of visitors", were also to be included all components corresponding to those comprising actual final consumption of households, that is visitor final consumption in kind, and tourism social transfers in kind. **Draft 2 ¶ 97** argued that "The data on tourism is not intended to describe the behavior of the visitor as an individual, but the expenses associated with the fact that an individual finds himself in the situation of being a visitor: it is a general functional point of view and not the classification of the expenditure of a particular economic agent in functional terms. Tourism expenditure is not the expenditure of visitors exclusively. All expenses made by others on his behalf shall be included."

28. **Draft 3**, which was discussed at the same time as **Draft 2**, maintained the same position, and entered in further arguments and details.

29. Finally, after many arguments and proposals, a sequence was adopted in **Draft 4**, which followed in some way the sequence of concepts in SNA93 related to the consumption activity of households, and which reflects the strong relationship between the concepts of SNA93 and those of the TSA.

30. In the final version, the term “visitor consumption” was used when no special mention of the characteristics of the visitor and of the trip were given, while the term “tourism consumption” was preferred when referring to a special constituency of visitors.

\textsuperscript{9} This refers to what was called "capital type investments", a concept which is not used in national accounts, and encompasses a variety of different transactions within the conceptual framework defined for national account purposes.
Figure I. The components of visitor consumption

(a) This always represents the most important component of total consumption of, or on behalf of, visitors. It covers what is usually meant by “visitor expenditure”, but SNA93 obliges to use a more precisely defined terminology. The term “in cash” does not necessarily mean a disbursement of “cash” but refers to all visitors final consumption expenditure which are not in kind.

(b) The term “tourism” refers to those transfers for tourism purposes addressed to potential visitors.

(c) The area in grey represents the part of total consumption of or on behalf of visitors that corresponds strictly to the transposition of SNA93 concept of household actual final consumption to visitors (both residents and non residents).

(d) Includes exclusively the expenditure on transport and accommodation of employees on business trips and those made by business on behalf of guests outside their usual environment.

(e) Visitor consumption refers to total consumption of or on behalf of visitors and could, consequently, also be termed as “visitor demand”. Because the visitor is at the centre of tourism activity, visitor consumption is related to individual consumption versus Tourism collective consumption that defines another component of Tourism demand.
IV.1. Issue regarding international tourism: venue of consumption and destination of a trip

31. REC93 defined tourism and the forms of tourism, in an ambiguous way, in part because the difference between the destination of the trip and the venue of tourism consumption (that is, the place where tourism consumption occurs) was not clearly recognized. Neither did REC93 take to all its consequences the definition of tourism consumption as a set of activities initiating even before the beginning of a trip and extending beyond its termination.

32. International tourism expenditure was defined (REC93 ¶92.) as "expenditure of outbound visitors in other countries, including their payments to foreign carriers for international transport...", while domestic tourism expenditure, was defined (REC93 ¶94.) as the “expenditure incurred as a direct result of resident visitors traveling within their country of residence”: with these definitions, the treatment of consumption of outbound visitors within the territory of the country of reference (which could occur before or after a trip), was thus sent to a sort of limbo as it was neither part of domestic tourism consumption (this expenditure is not a direct result of resident visitors traveling within their country of residence) nor part of outbound tourism expenditure as it was not an expenditure in other countries.

33. The Technical Manual on the “Collection of Tourism Expenditure Statistics” 10 excluded such expenditures altogether from tourism consumption. According to this table, all pre-trip expenditures corresponding to outbound tourism are systematically excluded from the estimation of tourism consumption... This seemed consistent with the definitions given for international tourism expenditure and domestic tourism expenditure.

34. Nevertheless, from a supply point of view, such solution was totally inadequate. In fact, as a consequence of such decisions, all purchase of services from travel agencies in order to travel outside of the country would be excluded from tourism consumption, as would be all purchases made before outbound trips. Most of the output of travel agencies would thus be excluded from tourism consumption as most of it is concerned with outbound travel. This solution was also in contradiction with the definition adopted for total tourism consumption.

35. Countries such as Canada, which were already compiling Tourism Satellite Account had noticed this contradiction, and had included this consumption in their calculation of internal tourism consumption, but without a clear notion of the heading to be used to include this portion.

36. Regarding the TSA, this difficulty although recognized since Draft 1, was discussed in more depth beginning with Draft 3 (b), where a whole subheading in chapter III (B.4. Tourism consumption and the place where the

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expenditure takes place) discussed the issue of the difference between the
destination of the trip and the place of the consumption activity considered in
the TSA. It was mentioned (Draft 3(b)¶ 106.) that outbound tourism
consumption “ might include domestically produced goods (bought before the
trip) and even imports, and services (for instance transportation services, or
package tours) provided by resident producers”.

37. This issue nevertheless did not find echo among most of the participants of
the Steering Committee, probably due to the fact that most of them had not
still faced this issue in their practice.

38. Others, like World Travel and Tourism Council (WTTC), did not find
relevance to the topic: they argued first that in some cases, such as
consumer durables purchased outside the context of a trip, or tourism non-
market services, they could not be assigned between domestic tourism
consumption and inbound tourism consumption.

39. But a more serious difficulty was pointed at, which, in our view, is not an
argument against the partition of consumption, but illustrates the difficulty in
understanding the scope of the measurement of tourism consumption: WTTC
observed that “pre-trip purchases by visitors travelling internationally from
resident producers (i.e. resident airlines flying the visitor abroad) are nearly
impossible to identify as international trip purchases. This would understated
the value of inbound and outbound tourism (consumption)”; this difficulty is a
real one. In most cases, direct information from the traveller is not available
and it will be necessary to use supply side information. The arguments went
then on “by limiting outbound and inbound tourism to transactions between
residents and non-resident producers, and non-residents and resident
producers respectively, the system creates a discrepancy of treatment
especially when the international visitor has a choice of using a resident or
non-resident carrier to the same destination. For an outbound visitor for
example, the expenses associated with a resident carrier would not be
included in outbound tourism (consumption) while if the same visitor on the
same trip chooses a non-resident carrier, the expenditures would be
considered outbound tourism (consumption).”

40. On the other hand, countries like Canada pointed at the relevance of defining
different concepts of consumption and relating them to the various
constituencies of visitors, which were currently observed in basic tourism
statistics.

41. In the TSA, following the conceptual framework of national accounts,
transactions are classified differently, whether they involve resident and non-
resident transactors. If both transactors are non-resident, these transactions
have nothing to do with the economy of reference; they are totally excluded
from the framework and can only be recorded as memo items. Tourism
consumption involving an outbound visitor and a resident producer is
included within domestic tourism consumption (two residents); tourism
consumption involving an outbound visitor and a non resident producer is
included within outbound tourism consumption (an import); tourism
consumption involving an inbound visitor and a non resident producer does not concern the economy of reference (two non residents); tourism consumption involving an inbound visitor and a resident producer is included within inbound tourism consumption (an export): there is no symmetry of treatment. This lack of symmetry might bother WTTC as they are trying to measure tourism as a world wide phenomenon: but it is not a problem from a national point of view, where only transactions involving at least one resident have to be taken into consideration and have an impact on the economy.

42. In following versions of the Drafts, various suggestions were made in order to find a new wording which would clearly indicate that the concept of tourism consumption of both resident visitors and non resident visitors within the economy of reference was covering more than the sum of domestic tourism consumption and inbound tourism consumption, as it also included the part of consumption corresponding to outbound tourism which occurred within the economy of reference before or after a trip.

43. Different wording were proposed: to use the term total internal tourism consumption, (draft 3 rev 1), that of adjusted internal tourism consumption (draft 4 Rev 1), or the term tourism internal consumption (as different from internal tourism consumption, stressing thus the term "internal" as referring to the consumption activity, not to tourism): again, in general the Steering Committee and the Working Party did not pay too much attention to the issue.

44. Finally, due to the lack of perception of the Steering Committee of the relevance of the issue, it is only when discussing the topic within the inter-secretariat for the determination of a common conceptual framework, that the need for new terms was recognized.

45. As REC93 did not extend the breakdown of tourism into forms and categories to tourism consumption but only applied it to tourism, it was possible, without betraying the wording that had been adopted previously and that countries were trying to use in their national systems of statistics, to give new precisions and definitions to the concepts of inbound tourism consumption, outbound tourism consumption, domestic tourism consumption and internal tourism consumption. This would in particular allow for the additivity of tourism consumption by forms in order to obtain tourism consumption by categories in the same way as categories of visitors are obtained by additions of forms of tourism.
46. This was the summary presentation which was finally approved:

<table>
<thead>
<tr>
<th>Domestic tourism: is the tourism of resident visitors within the economic territory of the country of reference.</th>
<th>Domestic tourism consumption: comprises the consumption of resident visitors within the economic territory of the country of reference.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inbound tourism: is the tourism of non-resident visitors within the economic territory of the country of reference.</td>
<td>Inbound tourism consumption: comprises the consumption of non-resident visitors within the economic territory of the country of reference and/or that provided by residents.</td>
</tr>
<tr>
<td>Outbound tourism: is the tourism of resident visitors outside the economic territory of the country of reference.</td>
<td>Outbound tourism consumption: comprises the consumption of resident visitors outside the economic territory of the country of reference and provided by non-residents.</td>
</tr>
<tr>
<td>Internal tourism: is the tourism of visitors, both resident and non-resident, within the economic territory of the country of reference.</td>
<td>Internal tourism consumption: comprises the consumption of both resident and non-resident visitors within the economic territory of the country of reference and/or that provided by residents.</td>
</tr>
<tr>
<td>National tourism: is the tourism of resident visitors, within and outside the economic territory of the country of reference.</td>
<td>National tourism consumption: comprises the consumption of resident visitors, within and outside the economic territory of the country of reference.</td>
</tr>
</tbody>
</table>

47. Domestic tourism consumption is the consumption incurred by resident visitors within their country of reference. The final destination of the visitor might be within or outside the country of reference, but the consumption activity that is referred to has to take place within this country of reference. It might include goods or services produced abroad or by non-residents but sold within the country of reference (imported goods and services). As a consequence, domestic tourism consumption is not the total consumption of "domestic visitors", because it also includes some part of the consumption of visitors which trip takes them outbound but which occurs within the country of residence before the trip or after, or even international transportation or insurance provided to resident visitors by resident carriers.

48. Inbound tourism consumption is the consumption of non-resident visitors within the economic territory of the country of reference and/or that is provided by residents. Purchases that took place in other countries are

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11 Open skies allow a non-resident air carrier to fly passengers between two points within the economy of reference.

12 Some international trips might require a domestic portion with eventually one or more overnights, in order to get to the departure point (mostly ports or airports). Is this part of the trip to be considered as a stand alone domestic trip, or the domestic part of an outbound trip? With this proposal, the classification has no effect on the value of domestic tourism consumption.

13 These refer to transportation services that can be purchased within the country of origin of non-residents, as well as travel insurance.
excluded if not acquired from resident providers\textsuperscript{14}. The goods purchased in the country of reference may also have been imported into the country. It does not comprise total visitors consumption expenditure of outbound visitors, as it excludes that part of consumption directly provided to them by non-residents (from the point of view of the economy of reference) before their trip or even on the trip (for instance air transportation on carrier resident of countries different from that of reference).

49. **Outbound tourism consumption** is the consumption of resident visitors outside the economic territory of the country of reference and provided by non-residents. It does not include goods and services acquired for or after the trip within the country of reference\textsuperscript{15} as this consumption activity is included within the notion of domestic tourism consumption. It does not comprise all consumption expenditure attached to outbound visitors, as it excludes that part of consumption provided within the economic territory of residence by residents, basically acquisitions made before the trip of after which are considered within domestic tourism consumption or even on the trip when provided by a resident transactor (transportation and insurance are perfect examples...).

50. **Internal tourism consumption** comprises all consumption of visitors, both resident and non-resident, within the economic territory of the country of reference and/or that provided by residents. It is the sum of domestic tourism consumption and inbound tourism consumption. It may include goods and services imported into the country of reference and sold to visitors. Therefore, this aggregate provides the most extensive measurement of tourism consumption in the compiling country, covering the totality of the components indicated in Figure 1.

51. **National tourism consumption** comprises all consumption of resident visitors within and outside the economic territory of the country of reference. It is the sum of domestic tourism consumption and outbound tourism consumption. These purchases may include domestically produced goods and services, imported goods purchased from resident providers, and goods and services purchased from non-resident providers.

52. Nevertheless, this solution is still not totally satisfactory, as users tend to use the term “tourism” to designate a constituency of visitors, and would like to associate a term such as outbound tourism consumption to the consumption of outbound visitors or the term domestic tourism consumption to the consumption of domestic visitors. Additionally, in languages different from English, the ambiguity concerning the word to which the qualifying adjective is related make the translation rather odd.

53. With the definitions as they stand, outbound tourism consumption only includes that part of consumption of outbound visitors which occurs outside the boundaries of the country of reference, or acquisition from non-resident

\textsuperscript{14}Those acquired through travel agencies and tour operators will be given a special treatment.
\textsuperscript{15}Those acquired through travel agencies and tour operators will be given a special treatment.
producers\textsuperscript{16} as the acquisition which occurs before leaving and within the country of residence or from a resident producer is included within domestic tourism consumption.

54. This underlines the need to generate a new terminology receptive to the conceptual needs of differentiating between the destination of a trip and the venue of the associated consumption.

V. Measuring the size of Tourism: Tourism Value Added and Tourism GDP

\emph{Tourism value added can be defined as the value added generated by tourism industries and other industries of the economy in response to internal tourism consumption}

55. OECD has considered traditionally that the measurement of a global indicator, summarizing the size of tourism was one of the main objectives of the compilation of a TSA. It argued strongly for the case of Tourism Value Added.

56. WTO has insisted on the fact that the knowledge of the structural relationship between tourism demand and tourism supply was more important than any single aggregate, which had only an apologetical function and could not justify such an elaborated statistical setting, and suggested the use of other types of aggregate indicators, in the direct line of the international recommendations concerning the compilation of satellite account concerning functional issues.

57. A large process of discussion was necessary, in order to clarify what stood behind the indicator called Tourism Value Added, what it was meant to measure, how it could be compiled, and understood in terms of the economic importance of tourism. Nevertheless, as we shall see, there are still some ambiguities in its coverage and definition and the document adopted as an international recommendation does not even propose a unique definition and reflects the different standing points and theoretical positions on these aspects.

58. On this topic, Technical Document No 4\textsuperscript{17} represents an interesting point as it discusses mainly the fact that having a unified definition is a necessary condition, but at large not the only one, to generate indicators comparable across countries: the statistical setting, the assumptions used and the methodology of calculations need also to be comparable in some way, and this is a much more difficult task ahead.

\textsuperscript{16} This is to take into consideration the fact that a visitor might acquire international transportation services, or insurance, … from a producer, resident of the country of origin: this service is provided while on the trip.

V.1. A progressive understanding

59. Following strictly SNA93 Ch.XXI, which focuses on Satellite Accounting, Draft 1 did not mention the concept of Tourism Value Added as this chapter of SNA makes no reference to such type of indicator. It suggested the use of the following aggregates: the ratio of total tourism expenditure to GDP; the same ratio for each form of tourism; the ratio of the value added of characteristic tourism activities to GDP; the ratio of hours worked in tourism activities to total hours worked in the economy; the ratio of consumption of characteristic goods and services within total tourism consumption, globally and for each form of tourism.

60. The Steering Committee strongly argued against these suggestions, mainly the measurement of the size of tourism via total tourism consumption and by form of tourism, claiming that the aim of the exercise was to fit a supply side indicator to tourism, as it was considered as an activity, as if the term "activity" was necessarily referred to a productive activity. Some of the arguments which were used precisely pointed to this aspect of tourism as an activity, and it is interesting to reproduce one of the most relevant argumentations:

61. "...(a) To value the overall economic importance of tourism by the total consumption expenditure of visitors may not provide an accurate measure of the overall economic activity generated by tourism.

....Included in the value of total consumption expenditure are the costs of imports used as intermediate inputs to the production of corresponding goods or services purchased by visitors. For instance, the costs of imported vegetables or fish used in the production of meals purchased by visitors, or the costs of imported fuel used by airlines for providing passenger transportation to visitors, are included in the figure representing total consumption expenditure by visitors.

It is possible that in some countries imports are an important source of supply for the production of commodities purchased by visitors. If it is, the portion of total consumption expenditure by visitors that represents purchases of intermediate imports may be significant. In these cases, using the figure of total consumption expenditure by visitors as an estimate of the direct and indirect value added associated with the production of the goods and services purchased by visitors may exaggerate the importance of tourism. To adjust for this, the total cost of these intermediate imports would need to be identified and removed from the figure of total consumption expenditure by visitors. This would yield an estimate of all-direct and indirect value added associated with the provision of goods and services to visitors. We believe that data from Table 7A would be useful here or estimates could be made by using an input-output model.

Comment: see discussion below: confusion between value added generated by consumption, and total value added in an economy as the sum of all final uses.
We are assuming here that the figure of total consumption expenditure is netted of all imported retail goods purchased directly by the visitors. If this is not the case, then the total cost of these imported goods would need to be removed from the figure of total consumption expenditure by visitors. Again, data from Table 7A would be useful here or estimates could be made by using an input-output model.

(b) One of the main objectives of the TSA is to provide a measure of the supply side of tourism which is consistent with the approach taken in the SNA for determining the size and relative importance of a given industry (or economic activity) to a country’s economy.

The approach usually taken in the SNA for measuring the size of an industry is to derive the value added this industry generates from producing its output. This provides the best supply-side measure of the size of the industry, as this measure refers only to the production generated by this industry in the making of its output. It does not include the value added generated by other industries with regard to the supply of the intermediate inputs used by this industry.

However, the approach taken in the SNA for measuring the size of an industry cannot be applied as such to the supply side of tourism, as there exists no industry whose entire production is purchased by visitors, nor there is a single industry that produces all the goods and services demanded by visitors. Visitors consume a variety of goods and services that are supplied by several industries. At the same time, many industries supplying goods and services to visitors, such as the food services industry, have a very significant portion of their output purchased by other consumers (non-visitors).

As a result, one cannot provide an accurate measure of the size of the supply side of tourism by simply taking into account the entire production of a given industry or a selected group of industries. In order to properly measure the size of the supply side of tourism, one must instead consider only the production generated in each industry from the activity of supplying goods and services demanded by visitors.

Assessing the value added generated in tourism industries, non-tourism industries and government by supplying characteristic and non-characteristic products to visitors provides a measure of the size of the supply side of tourism which is consistent with the SNA approach of measuring the size of an industry or economic activity: it refers only to the production generated by the supply side of tourism, that is, by the activity of supplying goods and services directly to visitors.

The value added obtained, which is referred to as tourism GDP, may serve several purposes.

- Firstly, tourism GDP provides a supply side measure that can be used to assess the relative importance of the activity of tourism within a country’s economy.
• Secondly, being able to assess the value added that tourism generates in the tourism industries provides a means of evaluating the extent of the importance of tourism to these industries as well as identifying those industries which benefit significantly from tourism.

• Thirdly, tourism value added may be instrumental to estimating tourism employment, that is, the employment generated in tourism industries and non-tourism industries as a result of catering to the demands of visitors. Tourism employment may be valued on the basis of "total hours worked" or "full-time equivalent work years".

• Lastly, tourism GDP provides a measure of the size of tourism that is independent of the definition of tourism products or industries (referred to as characteristic products or activities in the manual). Indeed, tourism GDP accounts for all production generated in tourism and non-tourism industries from supplying the tourism and non-tourism products demanded by visitors.

We consider that this measure of the size of tourism is necessary for recognizing tourism as an important contributor to a country’s economic wealth and should be included in a tourism satellite account.”

62. This abstract presents some interesting and valid arguments in favour of the calculation of tourism value added. Nevertheless, it also presents a confusion between the notion of value added generated by the provision of goods and services to visitors, and the fact that, in a supply and use perspective, most of tourism consumption is part of final consumption expenditure, and thus, as a value, part of the total value added generated in an economy, which as we all know is equal to the sum of all final uses in an economy.

63. From Draft 2, Tourism GDP defined as (¶ 203.) "the value added generated in the economy, both by tourism and non tourism activities, in the provision of tourism consumption" was mentioned as a possible indicator which had the favour of those advocating for the importance of tourism in an economy. Nevertheless, Draft 2 did not recommend to use it as a basic characteristic aggregate of the system, because of the "practical limitations of its calculation" which require the capability to assign a portion of the value added generated by a productive activity to part of its output.

64. Draft 3 Rev (1) argued against the integration of Tourism Value Added within the basic recommendations as a main indicator of the size of tourism (see paragraphs inserted between ¶191. and ¶192). The objections to the difficulty of the calculation remained, along with the consideration that being tourism a demand phenomenon, to try to adjust a supply side indicator to the measurement of its size did not seem consistent. Additionally, the document argued on the risk of misinterpretation of the indicator, and the implicit danger of associating it to some sort of “tourism activity”, which the system does not recognize as such.
65. The insistence of some of the members of the Steering Committee was stronger than these considerations, and finally WTO accepted to integrate the indicator. Nevertheless, the objective difficulties of its measurement, and the obstacles to reach valid international comparability remain.

V.2. The case of goods for the compilation of Tourism Value Added

66. Goods generate specific problems for the calculation of Tourism Value Added. This is due to the fact that production of a good and its sale to the ultimate user involves a chain of transactions and of transactors, which mostly occur in different locations, and even possibly in different countries. On the contrary, for services, their production and consumption occur simultaneously: the producer is who provides the consumer with the service he/she acquires.

67. Draft 4 specified (in Annex 3) that in the case of goods, only the retail trade activities consisting in offering these goods to the visitors would be considered within the possible tourism activities, and thus within the computation of Tourism Value Added. This position was not shared by all the participants. Some observed that a significant portion of consumption expenditure in internal tourism is made of vehicle repairs and parts, vehicle fuel, groceries, beer, wine and liquor, products that account for about 29% of total consumption expenditure. Excluding the value added generated in the production of these goods to be consumed by visitors would, in their view, impact strongly the measurement of tourism value added.

68. Draft 4 made clear that Tourism Value Added, although having the dimension of a value added (value of outputs less value of inputs), did not correspond to the value added of any productive activity nor of any industry in the sense of the International Standard Industrial Classification. It could not be considered as an indicator of the “size of the tourism industry” as there was no industry to which such value added could be associated as the difference between total value of output of the set of establishments making up this industry and the total value of their intermediate consumption.

69. It was underlined that its value depended on what was considered within the element of demand, basis for the calculation: its definition in particular was highly dependent on the scope and boundary of tourism consumption which had been selected as the reference for the value added to be considered: in that sense, tourism value added had to be understood as a typical “TSA” indicator, as its compilation required a reconciliation between demand and supply at a product and activity level.

70. Finally, its value was dependent on the level of detail in which the compilation could be made, and of the definition of tourism characteristic activities, as, at that stage, they seemed to be the only activities concerned by the compilation of this aggregate.
71. **Draft 4 (rev 1)**, incorporated the change of focus of OECD\(^{19}\), which in its own proposal, did not restrict the calculation of TVA to tourism characteristic activities, but recommended to extend its coverage to all productive activities providing goods or services to visitors. With this new definition, the compilation loosed (in principle) its dependence on the coverage of tourism characteristic activities.

72. In the same process, the term “tourism industries” was finally adopted as a synonym of tourism characteristic activities, in order to underline the fact that these activities could not be grouped as a unique “industry” (in the sense of ISIC and industrial classifications), as the processes of production involved were too different for such a grouping to be meaningful. It must be recognized though that such a stand is very difficult to implement in practice, as there is a long tradition of misuse of the terminology, and even WTO, in its current publications and documents has difficulties in changing its practice.

V.3. **An impossible consensus**

73. Nevertheless, as the coverage of Tourism Value Added now also considered tourism non characteristic activities, the treatment of the activity of production of goods previously excluded in the WTO proposal from tourism characteristic activities, but now part of the activities on which a tourism share should be established, became crucial to the level of the measurement and the homogeneity of this measurement among countries. Initially, this was not perceived, as the main focus of attention was on services.

74. With this issue in mind, the terms to describe tourism value added in the WTO documents were carefully chosen (**Nice document ¶ 4.73.**): “it includes the proportion of value added generated by all industries in the process of provision of goods and services to visitors or would be visitors or to third parties for their benefit”: the definition refers to all industries, and not only to tourism industries; the term “provision” is used, instead of “production”\(^{20}\) in order to insist on the fact that the production of goods is not included but only their disposition; not only purchases by visitors on trips are covered, but also those purchases realized for a trip and which occur before or after, or outside the context of a trip (case of single purpose consumer durables) or those realized by third parties for the benefit of visitors.

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\(^{19}\) This change of focus illustrates the degree of flexibility and permeability of WTO to the proposals of OECD, which, in a parallel project, was developing its own guidelines concerning the building of a TSA framework (see Draft OECD guidelines for a TSA). There was a certain degree of uncertainty about the activities covered by tourism value added, and it is only through repeated insistence that a final definition was reached. This is not the only example of such changes occurring within the WTO’s perspective, aiming at insuring confluence of both approaches.

\(^{20}\) **Production** is the process through which a product appears as an output as the result of a production process, in which inputs are transformed into outputs. **Provision** is the process through which preexisting goods are made available in certain circumstances: it is a trading activity.
Nevertheless, this exclusion of the production of goods from the activities concerned by tourism value added, which seemed a logical necessity, was only defended by WTO within the inter-secretariat and in consequence, the final version of the document makes no clear recommendation about the treatment to be given, and notes that (TSA:RMF ¶ 4.97) : "without a common position in this area, ...international intergovernmental organizations (such as WTO, OECD, and Eurostat), will continue the task of defining appropriate criteria of valuation to analyse the economic impacts of tourism and defining the appropriate standards for the presentation and international comparisons of results. The experience of countries in the development and use of their TSAs in the future will provide important inputs to this task".

V.4. Measurement and analysis

One of the main ambiguities in the discussion of tourism value added, and other related items (tourism consumption and other specific treatment as for instance that of good) is to define precisely what is intended with the aggregate: does it refer to tourism as a static global activity within the whole established productive processes of an economy considered ex post, focused in the measurement, in a static way, of how much of total GDP generated in an economy corresponds to tourism; or does it adopt a pseudo dynamic position and measure how much of total value added has been added in net to a pre-existing total (without tourism), due to the existence of tourism (a cost benefit analysis); an intermediate position is possible, in which we would be looking at certain specific impacts, and excluding others, with an empirical intention of not overrating the importance of tourism, observing that the displacement of people and their consumption also generates a decrease in consumption in their usual environment?

V.5. Tourism consumption and displaced demand

These different ways at looking at the impact of tourism has an important effect on the scope of the calculation of tourism value added. All consumption by a visitor in an economy generates a value added, in the process of making this commodity available in the economy as a whole, and then in making it specifically available to the visitor in a given time and place.

In a first way of looking at things, all the value added generated domestically by any consumption, considered as visitor consumption, could be included in the TVA aggregate. In a second perspective, this effect could be compared to the consumption which would have occurred had the visitor staid at home within his/her usual environment, so that we could try evaluate solely the net effect of these displacements. Finally, in a third intent, many variations would be possible along the idea of trying intuitively not to assign as tourism consumption, consumption expenditures which would have possibly occurred anyway, and restrict the impact of tourism to activities in direct contact with the visitors.
79. It is this idea, which underlies the discussion on whether tourism consumption should include all consumption expenditure by visitors, or made by others on their behalf (which would be method 1) or only that part of consumption that is not displaced demand (case of Norway for instance). This debate thus does not concern principally the notion of tourism consumption per se, but the use of such variable for the compilation of tourism value added, objective so important for many that the compilation of tourism consumption has been left as a second-class objective.

80. This lack of precision on the objective of the indicator seems also to be the underlying reason of the discussion of the treatment of goods acquired by visitors, principally in the case of resident visitors. Some argue that goods purchased by resident visitors should not be considered within tourism consumption, but only those acquired by non resident, as the latter represent a new net demand for the economy of reference, whilst the former only represent displaced demand, which would have occurred anyway, with or without displacement outside the usual environment.

81. Although this point of view might be interesting, it is difficult, if not impossible, to make really a distinction between wholly new consumption induced by tourism, and what, within tourism consumption corresponds only to a displacement of demand.

82. If in some cases it is rather easy to identify a demand displaced from a non tourism use to a tourism one (we shall see a case when discussing visits to family and friends in the main home of a household), in most cases, travelling, mostly when it is associated with vacation or business trips, is often an opportunity for having a consumption pattern different from the current one within the usual environment, These changes in consumption pattern encompass both goods and services. Additionally, even when the products purchased seem exactly identical, and sometimes purchased within the same chain of grocery stores or department stores as when the visitor is at home, within his/her usual environment, the fact of being located in a different place, and for the goods and services to be available exactly when needed makes them products economically different from those consumed within the usual environment.

83. To take into consideration a net impact (the cost benefit analysis) obliges to consider as a negative consumption associated to tourism this consumption that does not occur temporarily within the usual environment. This impact might be locally strong on the provision of certain goods and services. In some cities, retailers take advantage of massive vacation exodus during the summer season to close their shop and take also a leave (the case of some proximity retailers in some big European cities). As some commentator points out "That we might consider the need to measure the decrease in consumption in areas due to tourism by outgoing residents is a real point. This must have been done in countries where a "tourism" strategy includes improving Balance of Payment by keeping people home rather than attracting more visitors. A tourism Balance of Payment maximizing strategy would be maximize internal visitors and internal spending; and minimize outbound travel and outbound spending".
84. In the third perspective as mentioned before, in which a view of tourism consumption as displaced demand is mixed with the consideration of other types of impacts, a proxy to the approximation to the impact of the consumption of goods would be to take only into consideration the retail margin effect on goods, as illustrating the difference between consumption outside the usual environment and the lack of consumption of similar goods within the usual environment (the displacement of the demand of goods).

85. Finally, the statistical issues discussed amply in Technical Manual No 4, involved in the compilation of tourism value added, and their implication for the comparability of the aggregate, considered as the centre of the compilation process of TSA should be given proper attention.

VI. Accommodations services in the TSA: second homes for tourism purposes and other housing services provided by other households free of charge

VI.1. Inclusion

86. In many countries, the use of so called "non market" accommodation is a very frequent occurrence in the forms of accommodation while on trips: in France for instance, second homes and accommodation with friends and family accounts for over 40% of domestic trips and around 60% of corresponding overnights. Many European countries show figures of comparable magnitude. As a consequence, to establish the treatment to be given to the valuation of services associated with this type of accommodation is a central issue for the TSA.

87. REC93 did not mention the case of non-market accommodation by visitors when defining tourism expenditure. Second homes and accommodation provided without charge by relatives or friends only were brought about as a type of private tourism accommodation within the standard classification of tourism accommodation (annex to IV Classifications of tourism demand) but nothing was said about the economic measurement of the flows of services attached to their use.

88. Draft 1 mentioned the case in a marginal way when considering the cases of consumption for which the value should be imputed in the system. (Ch. IV.G.3).

89. In Draft 2, housing services provided by second homes on own account or to third parties for free were excluded from consumption (Draft 2¶ 169.), and so were the acquisitions of second homes from tourism gross fixed capital formation, the argument being the exclusion from the system of imputations procedures. A participant put clearly the issues on the table and argued as follows " the services provided on second homes are within the SNA93 production boundary. The exclusion of these services form the TSA production boundary may be seen to create an inconsistency between the central accounts and the TSA. However, whether an inconsistency exists
depends on the intended use of a TSA and on the definition of tourism expenditure employed. It is legitimate in our view to avoid imputations in the TSA and therefore exclude services provided on second homes. This does not create an inconsistency with the central accounts, rather it represents a definition of the tourism expenditure boundary. Importantly, if the services of second homes are not recorded, and neither should the capital formation of second homes. That is, capital formation of tourism industries must exclude expenditures on the building of second homes if the tourism expenditure boundary is defined to exclude the services produced by these homes…"

90. The same position was defended in Draft 3, stating that (Draft 3 ¶ 85.)"...there will be no estimation of services produced within a household and provided free of charge to another, within the Satellite Account for Tourism. Estimations will only cover the provision of goods, of market services provided by third parties, and of non market services, individual or collective, provided by non Profit Institutions Serving Households and General Government.”

91. In Draft 3b, the point of view changed, resulting from a different interpretation of REC93. It was argued that according to (REC93 ¶84.) "...tourism consumption, except when it conforms to the intermediate consumption of enterprises, would conform to the concept of “final consumption” in the system of national accounts, regardless of type of consumer”. As in national accounts, an estimate is made for the consumption of housing services on own account, it derives logically that such an estimate should also be made for the TSA, in the case of second homes. This inclusion is consistent with the option of homogenizing as much as possible the structure of consumption regardless of special arrangements, such as the provision of housing services on own account. It also recognizes the fact that national accounts associate a production process to this particular case of consumption of services provided on own account. In consequence, it should also be considered within the perspective of tourism (would tourism not exist, this production process would not have occurred: and this is clearly the case for the services provided by tourism second homes…).

92. The 5th Meeting of the Steering Committee approved the inclusion of the services provided by second homes within tourism consumption and obviously, as a consequence, the inclusion of second homes within the fixed capital formation associated with tourism.

93. As a consequence, the purchase of a second home, the repairs and other inner or outer upgrading of the building would be part of Tourism Gross Fixed Capital Formation, while other purchases of goods or services of lesser importance for these second homes, in order to maintain their quality would be treated as intermediate consumption of the productive activity of “housing services on own account” (and thus not as tourism consumption).
This change in perspective, where not only transactions involving movements of cash between transactors would be considered within tourism consumption, but also transactions on own account, (with the consequent imputation requirement), was discussed and argued over extensively.

The arguments, on this particular topic, were fierce, as certain members of the steering committee sustained that, for policy purposes, only transactions involving some type of cash transactions would be of interest.

There were no evidence of such lack of interest, particularly when gross fixed capital formation was at stake: if the service provided by second homes was not a market transaction, the construction and acquisition of second homes were usually recognized as market transactions, of importance for tourism analysis. Excluding the consumption of accommodation services provided by second homes would necessarily lead to the exclusion also of the acquisition of second homes from tourism gross fixed capital formation. Due to the fact that, in certain localities, second homes comprise an important segment of accommodations solutions, this position was not accepted. No clear mention was made of the possibility, for the system, to isolate those transactions, (which could be an acceptable solutions for every one) but the tables that have been proposed in the present document allow very easily the separate presentation of imputed transactions from transactions flowing through the market: it is even highly recommended.

VI.2. Valuation

Various questions though were still open, and were progressively solved, as for instance the question of the value to be imputed to the service, and the relevance of extending such a solution in the case in which a visitor would be admitted to share the main home of a household.

The issue of the value was finally solved in Technical Document No 2. In this document, it was suggested to work on an annual basis, due to the high seasonality of the visits to vacation homes, both on own account and rented: an annual rent would be imputed, equal to the effective annual rent of similar units rented to third parties. When no representative market exists, then the rent should be estimated through objective considerations regarding the accommodation unit.

The TSA common conceptual framework which was adopted suggests that in the case of tourism second homes, a tourism housing service on own account could be considered as produced in any period: this is strictly consistent with SNA93.

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100. From this statement, a more audacious statement was derived, which is the following: even in the absence of any trip of a visitor to that place, there is still tourism consumption. This conclusion is based on various arguments:

a) For its owner, the tourism second home is always available for any possible trip: its owner is not renting it, precisely because he/she wants it to be permanently free and ready for him/her to use. This permanent availability is what he/she is also acquiring through the imputed tourism consumption that is assigned to him/her.

b) A limit type reasoning: whatever the duration of the visit to the second home, the value of consumption attached to this visit will be equal to the total value of production (consumption) of the service attached to the home. Applying this reasoning to the limit, this also holds if no visit is made.

c) A third argument is related to the partition of household final consumption of \textit{SNA93} between tourism and non-tourism consumption: if this consumption cannot be qualified as non-tourism, then necessarily it is tourism. The home has been allocated as of tourism use, and all use of it has to be tourism use.

101. Nevertheless, in the places and countries where second homes are important, the global adjustment for second homes might be significant, and there is some uneasiness of estimating such services altogether, although there is no evidence that the main adjustment comes from second homes not visited.

102. This analysis also covers the case when family and friends are received for free within the tourism second homes of a third party: there is still a flow of services, form the owner to the visitors occupying the accommodation: there is a transfer in kind of tourism services between these consumption units.

\textbf{VI.3. Guests within the main home}

103. A different situation occurs when visitors are received as guests within the main home of a household. This situation has a high incidence, principally in the case of domestic tourism: in most countries, parents receive their children and their family for vacation or for celebrations such as Thanksgiving, Christmas, the Chinese New Year, etc.

104. Is there a transfer in kind of housing services from the receiving household to the visiting one? If the answer is "yes" how should it be established? Is there any production of additional output in the economy? How then should it be taken into consideration within the establishment of the aggregate of tourism value added?
105. Visitors received as guests within the main home of a household are by definition non-members of the household, otherwise they would not be visitors. They are benefiting from housing services, accompanied or not by food services provided by a household to which they do not belong. They could be charged for it (there is a reference market value for such service). We are not in the case of a service rendered within a household on own account, as the visitor, by definition, is not member of it. Additionally, the case of housing services has been clearly differentiated from that of other types of services rendered within a household: there is a housing service provided as a transfer in kind (Balance of Payments makes reference to the existence of such services, but recalls that most of the time, no measurement is provided...).

106. The provision of this service does not result from an additional production to that existing before the appearance of the visitor: in National Accounts convention, a home, as long it is owned with the object of being occupied (even self-occupied), is "producing a service". If this service is not a market service (no rent is paid to a third party different from the household for which it is its home), then a flow of services is "imputed" to this asset, which is equal to the market value of a similar unit rented on the free market, or, if such a market value does not exist, to a value which takes into account the physical characteristics of the construction and its inner equipment. This value is independent of its condition of occupancy.

107. If this visitor is not increasing the value of housing services, this means that he is benefiting from a part of the service provided, which is transferred to him by the household occupying the housing unit: there is a decrease in non tourism accommodation services and an increase in tourism accommodation services.

108. From a microeconomic point of view, the value of the service received could be estimated in a way similar as when a rent is assigned between roommates sharing the same unit of housing, that is proportional to the number of persons occupying the unit.

109. A similar type of calculation could be proposed at a macroeconomic level.

110. The visit is not creating an additional value, but only changing its classification. Tourism consumption would simply substitute non tourism consumption. The present recommendations (TSA:RMF) does not consider such consumption as tourism consumption, but, possibly in some circumstances, such inclusion might be interesting, as it might justify in part why elderly persons maintain houses which size exceed their current needs.
VII. Consumer Durables

**Consumer durable goods will have a different treatment according to the following convention:**

- **All tourism single-purpose consumer durable goods will be included, whether purchased during a trip, before a trip, after a trip or outside the context of a specific trip;**
- **Multipurpose consumer durables will only be included if purchased during a trip.**

TSA:RMF ¶ 2.52

111. This topic was also the centre of heated debates, in part because what was at stake was never sufficiently explicit to all. The debate surged from three statements to be found in *REC93*:

- First, from the definition of tourism expenditures as “the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination (*REC93* ¶85.)”, which extends its scope beyond those consumption goods and services acquired during the trip, in order to encompass also those acquired **for a trip**. This is further extended, when the where and when of tourism expenditure (*REC93* ¶ 88.) is discussed, and the possibility of including consumption goods and services acquired before or after a trip within tourism expenditure (consumption) is specifically mentioned.

- Second, from the detailed coverage of tourism expenditure (*REC93* ¶ 86.). It results that tourism expenditure (consumption) includes a “wide variety of items, ranging from the purchase of consumer goods and services inherent in travel and stays to the purchase of small durable goods for personal use, souvenirs and gifts for family and friends.” This list specifically mentions the inclusion of some durable goods within the scope of tourism expenditure (consumption).

- Finally, from the list of some expenditures which are specifically excluded, under the heading “capital type investments or transactions engaged in by visitors”(*REC93* ¶ 87.(b)), such as the acquisition of “cars, caravans, boats, ..”, some of them are consumer durable goods within the conceptual framework of *SNA93*.

112. The range of those consumer durables excluded from tourism consumption was questioned: did it only refer to means of transportation (the only mentioned…) or did it refer to all consumer durables of important unit value (capital type consumer goods), as opposed to those “small durable goods for personal use..” included specifically in tourism expenditure? (*REC93* ¶ 86.).
Behind the discussion on the scope of tourism consumption was concealed the issue of the productive activities to be taken into consideration in the compilation of the main indicator characterizing tourism, that is Tourism Value Added. Would it be legitimate to consider an impact of tourism on the activities producing all goods included within tourism consumption, or should the compilation of the aggregate restrict to those activities with a direct link to the activities of visitors in precise locations?

In the past, the study of tourism and its impact had been restricted to the study of services (see for instance the OECD Manual on Tourism Economic Account\textsuperscript{22}). REC93 was opening slightly the door towards a broader perspective, but within the need to restrict purchases to a reasonable level, in order not to jeopardize the credibility of the whole exercise, which would have occurred with the inclusion of private cars purchased only partly with the view of their use on trips: It must be recalled again that credibility was an objective of highest priority for the TSA.

Draft 1 did not discuss the conceptual limitations imposed by REC93. Nevertheless, the Steering Committee debated largely upon the treatment of consumer durables within the System of National Accounts. The question was raised whether services provided by consumer durables within households for own final use (principally the use of motor vehicles on own account was on the table) could be included within the scope of tourism consumption. As these "services" are not considered within the production boundary of SNA93, this would have modified the boundary of production and consumption, and weakened the relationship to global GDP as calculated according to SNA93.

The general feeling that emerged from this meeting was that expenditure on consumer durables and investment in "second homes" should not be included as tourism expenditure. "Tourism expenditure should exclude consumer durable and Gross Fixed Capital Formation (GFCF) because it should exclude auto-manufacturers from the scope of tourism supply" (a point of view directed by the need for policy relevance of the aggregate and the above mentioned fear of over-inflating the evaluation of tourism value added).

Nevertheless, some of the participants asked for the topic to be further discussed, as they were not totally convinced with the arguments used to get to the conclusions. The discussion turned about the possibility, for Satellite Accounts, to use production boundaries differing from those in use in SNA93 and the effect on the policy relevance of the data when they included consumer durables. Some abstracts of the documents that were presented give a flavour of the ongoing debates at that time.

It was recalled that "satellite accounts can be anything the user wants them to be", because of the almost endless uses that satellite accounts could be required to meet, and because flexibility is their essential feature, there are

no hard and fast rules. In designing a satellite account, the question that needs to be asked is "what is(are) its purpose(s)?" so that a meaningful set of statistics/framework of analysis emerges. However, to remain a "satellite account", there must be a core set of concepts and/or data that link the account to the national accounts...

Much debate was undertaken in the 1980s and early 1990s to determine what it was that tourism represented and what it was that policy makers and industry analysts wanted to measure. Most of the debate centred on what "tourism expenditures" amounted to… In examining what should be regarded as tourism expenditure, the experts were guided by what they saw to be useful in assisting policy making by governments and analysis by the tourism industry itself. As a result, tourism expenditures were taken to cover those expenditures that were incurred prior to, during and immediately after a trip by, or on behalf of, the visitor and which were related to the trip. These were seen to describe the central aspects of tourism behaviour that were most relevant to the players...

Given the foregoing, the question that needs to be asked is: what would be added by including expenditures on "tourism consumer durables"? If they were counted as capital goods, … the production boundary would need to be changed… If consumer durables were to be included as tourism consumption, it would require a new definition of tourism expenditure … The commodities would have much longer lives and would change the character of the "industry" that the experts were trying to identify…. The reason for that debate is relevant in this context: the data must be policy relevant…It is hard to see what policy relevance is derived, what information governments can derive from having consumer durables (or a percentage thereof) as part of tourism value added…"

118. The arguments used in this paper are not in line with the point that is discussed: the inclusion of consumer durables should remain within the discussion of the boundaries of consumption. To deny any policy relevance to the issue is to ignore the effect of the presence of visitors on the commercial activity of the places visited. This does not only affect tourism characteristic products, but a vast array of commodities that visitors wish to find in the places visited, or which can convert a place into a specific attraction and purpose for the influx of visitors…: the effect on value added is only a by-product of the issue.

119. This point of view was certainly a challenge, and the participants had to take a stand regarding the arguments that were presented in such an eloquent way.

120. Following intense discussions among members of the Steering Committee, Draft 3 (Draft 3 ¶¶ 86-88.) changed its position and introduced the idea of including the acquisition of consumer durables of important unit value (those qualified as “capital type investment” in REC93) within the scope of tourism consumption with the argument that no distortion occurred from a statistical point of view at an aggregated level with such inclusion, in the same way as no distortion occurs in National Accounts when including those acquisition
within the scope of household final consumption expenditure. Nevertheless, it suggested that for consumer durables which can also be used for purposes different from tourism, an allocation should be made of the total acquisition value between tourism and non tourism consumption on the basis of the presumption of use, in a way similar to the allocation made in National Accounts of the value of consumer durables purchased by households which are at the same time producers and consumers between gross fixed capital formation and final consumption expenditure.

121. Some gave a strong support to that position, which permitted to be in line with measurements in SNA93, although they would rather have favoured a valuation of the flow of services provided, had it not lead to the loss of comparability with other macroeconomic aggregates.

122. Other delegates made an important point of this issue and considered that “the inclusion of consumer durables in tourism consumption change(d) fundamentally the thrust of the document in a direction with which we strongly disagree…” Most of the argument was about consumer durables not bought on trips, as it considered that such inclusion would definitely displace the trip from the centre of the measurement of tourism. This position was helpful in order to look for a more flexible solution, which would consider the fact that tourism consumption covered a large range of goods and services purchased not only during but also for trips.

123. Others pointed out that there were no reasons not to include consumer durables in Tourism consumption, but pointed out the need for further study of the topic.

124. As a conclusion of the 5th Steering Committee, no consensus was reached, and it was decided, through bilateral consultations between some countries and organizations to make some further clarifications on the issues at stake.

125. Draft 3(b) introduced an interesting step in the discussion, as it allowed for different solutions to coexist among those adopting the system without imposing a unique solution (Draft 3(b) ¶ 97.) “In the present framework, we shall, in principle, include the purchase of all consumer durables within the concept of tourism consumption. Nevertheless, as this estimation is particularly difficult to compile because it supposes to collect special information on the purchase and projected use of these type of goods, even outside the context of a trip, it is recommended to use a modular construction of tourism consumption where, in the first stage, consumer durables of important unit value would be totally excluded (T1), whereas, in the second stage, such components would be considered (T2). OECD has chosen, for the moment, in its recommendations to its members, to restrict tourism consumption to (T1).” As a consequence, in all the tables of the system where these goods would appear, a special line was provided to report their value.

126. The discussions within the Steering Committee encouraged reflections in other forums of discussion. OECD promoted some research on the topic, and Canada prepared a paper for the OECD Tourism Statistical Working Party for
discussion on a meeting on 19 November 1997. In this paper, Canada argued that "consumer durables purchased during a trip are to be included in tourism (demand) because the relationship between the transactions and tourism can be clearly established. These transactions were made while being on a trip, that is, while engaged in tourism. In the case of consumer durables purchased before or after a trip, establishing a relationship between the transaction and a particular trip is more difficult. Durables can be purchased up to several months before or after a trip, and the majority of them can be used many times for both tourism and non-tourism purposes. It came to the conclusion that, nevertheless, "there was a category of consumer durables which are mostly used for tourism purposes". As a consequence, for these specific goods, there was no need to establish a direct relationship with a particular trip to justify their inclusion in tourism consumption".

127. As a conclusion, tourism consumption would include: all purchase of consumer durables made on trips, and the purchase of tourism single purpose consumer durables made at any time.

128. WTTC also generated a paper on the topic and its conclusions were somewhat different. It defined "tourism durable consumption goods" as tourism consumption goods that may be used repeatedly or continuously over a period of more than one year, assuming a normal or average rate of physical usage. It spelt out some of the characteristics of such goods:

- They are sometimes purchased on a trip but customarily are purchased in the visitor's usual environment;
- They are usually bought in anticipation of being used on more than one trip;
- They are usually used by a visitor in more than one trip;
- They sometimes stimulate tourism activity, such as when the purchase of a private aircraft encourages the pilot to fly to more places away from home;
- They may be used exclusively on trip (e.g., private aircraft, luggage), but many are use within the users' usual environment, as well.

129. For these tourism durable consumer goods, two situations arise, depending on the general venue where they are purchased:

- The value of tourism consumption durable goods purchased on a trip should be 100% attributable to tourism final consumption, so that such

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23 "Consumer Durables in the OECD TSA" ref: OECD: DAFFE/TOU/STAT/RD(97)8
24 We would now say "consumption".
26 These were previously defined as "goods which are used, without further transformation in production, by households, NPISHs of government units for the direct satisfaction of individual visitor needs or wants or hosts of visitors, in preparation for visitors' trips, during such trips, or as aftereffects of such trips".
goods' treatment will be equal to that accorded to non-durable goods purchased on trips.

- A proportion of the value of tourism consumption durable goods purchased before or after a trip (e.g., to replace such a good damaged or stolen on a trip) equal to the proportion of their use on trips should be attributed to tourism final consumption.

130. These documents and the debates which followed inspired the review of Draft 3 (b), leading to the proposals to be found in Draft 3 (Rev 1).

131. Draft 3 (Rev 1) discussed the practicality of the allocation of the value of consumer durable of important unit value between tourism consumption and non tourism consumption as suggested by WTTC and found it difficult if impossible to implement. As a consequence, the suggestion made by Canada was finally adopted as an international recommendation.

132. This solution would be inserted within the sequence of Tourism Consumption Aggregates that was suggested: (T1) would exclude consumer durables of important unit value, whereas (T2) would include them.

133. As a consequence, it was necessary also to generate a special adjustment of internal tourism consumption due to the impossibility to assign the purchase of single purpose consumer durables outside the context of a specific trip to any of the components of tourism consumption (domestic or outbound).

134. This solution was not accepted by all members of the Steering Committee, and in particular by the private sector, represented by WTTC and by the United States representative, which argued again about the importance of motor vehicles for the analysis and correct description of Tourism. It was thus necessary to give more thoughts to a solution that would be acceptable to all.

135. Draft 4 tried to change somewhat the focus of the discussion, and discussed about the ambiguities and inconsistencies of the definitions of tourism consumption adopted in REC93, and the extent to which acquisition of goods and services by individuals while they are not in their capacity as visitors (situation which occurs while they are within their usual environment) should legitimately be considered as tourism consumption.

136. Draft 4 (¶¶ 104. to 109.) thus proposed a more restrictive definition of tourism consumption for the core (basic definition), where only “displaced demand” was taken into account, that is “all goods and services acquired by or on behalf of visitors (individuals outside their usual environment) as final consumption expenditure”, with the exception of transportation, package tours and services of travel agencies, which, although purchased within the usual environment, were considered as consumed within the trip.

137. Two coverage of tourism consumption were suggested in this context, as extensions of the system:
• (E1) adding to the core definition the purchase of small items, before and after the trip, which can legitimately be considered as trip induced or trip related;

• (E2) adding to (E1) the purchase of single purpose durable goods made at any time.

138. Working Groups I and II returned to the previous agreement reached at Draft 3 Rev 1, which was the following:

• To include all purchase of consumer durables made during trips within the scope of tourism consumption;

• To include the purchase of single purpose consumer durables made at any time within the scope of tourism consumption;

• To include the purchase of perishable goods and consumer durables of small unit value (those pinpointed by the “recommendations”) before a trip as long as this purchase is clearly related to the trip and can be considered as made for the trip.

• This definition would apply as the core definition.

• The consideration of other consumer durables of important unit value not purchased on trips would be left to an extension of the system.

139. This position was finally the one that was presented and approved at the Nice Conference.

140. In rewording the document for its presentation to the UN Statistical Commission, it seemed important to stress somewhat more its content, which in a certain way reopened the debate within the Inter-secretariat Working Party, and particularly on the notion of “small durable goods of personal use” introduced in REC93. Some discussions arouse on whether a limit of unit value could be given in order to define the boundaries for such small durable goods: finally, this proposal was not accepted, because it seemed very difficult to give a unique limit for so many different countries with varying degrees of economic development and investment.

141. In order for the document to be endorsed by the UN Statistical Commission, the United States delegation requested that some mention be made to the special case of transportation services provided by private motor vehicles to a household for its benefit, which, although excluded form the central framework, could, in some cases, be of interest to analyse and present. This mention is to be found in the final document (TSA:RMF ¶¶ 1.37. to 1.40.)

142. The final document did not mention explicitly the flexibility which had been proposed in the use of different coverage for tourism consumption: It only mentioned the fact (TSA:RMF ¶2.53) that “since some consumer durables purchased during a trip may be of high unit value (e.g., cars, boats), some
countries may find it useful to identify these items and conduct analysis both including and excluding them. However, for the purposes of international comparison all purchases during a trip should be included in visitor consumption.”

143. This flexibility exists, and in the recommendations for the implementation of the conceptual framework, it is often mentioned that each country should in first instance consider its own national needs, in order to establish the form and coverage of its national TSA. Considerations regarding international comparability should never overcome well-understood national needs.

VII.1. Non cash (non monetary) transactions

144. Regarding non-cash transactions, the final version of the TSA includes them wholly within the estimation of visitor consumption in the same way as transactions in kind are included within the concept of household final consumption expenditure in national accounts. This position surged gradually, with the perception of the importance of such transactions for the correct understanding of the data, principally in a context of international comparability and changing national contexts (increasing privatisation).

145. Even when the definition adopted in REC93 for tourism expenditure (now called consumption) is that of (REC93 ¶85.) “total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination”, the awareness over the consequences of such definition made slowly its way among the participants in the different discussion groups.

146. Draft 2 already mentioned extensively that the visitor was not the unique transactor concerned with expenses included within tourism consumption (Draft 2 ¶ 92.) ..”besides the consumption expenditure of the visitor himself,.. the concept of tourism expenditure also includes expenses which, although not incurred directly by the visitor himself, have been made on behalf of him and for his benefit: the expenses of the travel might have been made, partly or totally, through personal gifts by family or friends (the value of the trip itself, luggage, clothing...). The hosts might have made other expenses eventually if the trip has included the visitor to family and friends. It also covers the case of packagers, buying tourism services on behalf of their clients, .. It can also refer to expenses on business travels, which are covered by the employer, or to expenses totally or partially reimbursed by the social security system, or considered as social assistance benefits... Finally, it also includes the economic value of the individual non market services, provided to the visitors free of charge or at prices which are not significant...
economically, as can be the services provided by museums, recreational or national parks, etc. which are not properly accounted for using the fees that are eventually charged directly to the visitors."

147. It also claimed that (Draft 2 ¶ 97.a) if a service was produced within a household and was provided free of charge to a visitor, if there were no outlay, there was no transfer, and thus no estimation of consumption. If there was an outlay, (for instance additional food purchased in order to prepare a meal), this additional outlay (food) was considered as a transfer in kind (of food) to the visitor, but there was no transfer in kind of the service of preparing meals.

148. Draft 3(b) had a second thought (Draft 3 (b) ¶ 94.) about this reasoning because it considered that, although the service was provided within a household unit, it could be considered as rendered to a member of another household, which happened to be present within this economic unit. Nevertheless, it stated that, usually, National Accounts would not have any estimation of these flows and as a consequence, nothing will be estimated either for the Tourism Satellite Account. Nevertheless, the case of housing services on own account or for free was mentioned, as National Accounts estimates a service on own account, and as a consequence, this should also be the case in the TSA.

149. Draft 4 stated clearly the status of services provided free of charge to another household and returned to the previous stand (Draft 4 ¶111.) .." In accordance with the principles of National Accounts, only the provision of private accommodation free of charge shall be considered. Nevertheless, in some cases, and provided the adjustment is feasible and meaningful, all increase in effective consumption expenditure by individuals or households for which the place is his usual environment, and aimed at benefiting visitors, should be included (increase in food purchase by hosts, or entry tickets to entertainment or visits paid by friends and family, etc.)."

150. Regarding housing services, Draft 4 stated that tourism second homes produced a tourism housing service on own account for the benefit of its owner, which is consumed by the household and is part of tourism consumption, be this second home actually visited or not.

151. Finally, Draft 4 presented the figure (previously presented at ¶ 22.) where, following the structure of the components of household final actual consumption, the different adjustments to the consumption expenditure of visitors in cash are presented in order to obtain finally the concept of tourism consumption.

152. As it stands, the concept of tourism consumption at the basis of the TSA is much broader than what the common acceptation recognized, as it includes, not only outlays of all kind made by the visitors and other institutional units in order for visitors to acquire goods and services for and during trips (which may have various representations in national accounts), but it also includes the total cost value of individual non market services provided by non-profit
institutions serving households (NPISHs) and Government, as well as an imputation of housing services on own account provided by tourism second homes. Transactions of visitors, both in cash and in kind, are considered.

VII.2. Definition of characteristicity of products and activities

Tourism characteristic products: products which, in the absence of visitors, in most countries would probably cease to exist in meaningful quantity or for which the level of consumption would be significantly reduced and for which it seems possible to obtain statistical information.

TSA:RMF ¶ 3.17

...The activities in which characteristic products originate are called characteristic activities, and producers who carry out a characteristic activity are said to be characteristic producers.

TSA:RMF ¶3.23

153. The debate on tourism characteristicity of products and activities was initiated by the OECD Manual on Tourism Economic Accounts 27 (TEA Manual), before the start of the TSA project in WTO. According to this document, the tourism characteristicity of producers is defined (¶ 94.i)) on the basis of their dependence on and/or importance for tourism. It is noted that “with increasing detail of specialization, specific tourism demand often becomes a distinctive feature, which is lost at more aggregate level.” Products characteristics of tourism are defined (¶ 94.ii)) as “the principal products of tourism activities”.

154. REC93, when trying to establish and justify its proposal for a “Standard International Classification of Tourism Activities”, recalled the two basic criteria (REC93 ¶41.) stated previously by WTO to define an activity as a tourism characteristic activity:

• first criterion: economic activities with a high percentage of tourism revenues to total revenues;

• second criterion: economic activities representing a significant component of total tourism expenditure;

155. It must be observed though that these definitions lack conceptual consistency, in particular concerning the second criterion, as “activities” which is a category to be applied to producing units, can never “represent” anything within tourism expenditure, as they do not represent value per se, but constitute only a principle for grouping producing units: really, if correctly

reworded, it should say that the typical output of these activities represent a significant component of total tourism expenditure, a criterion referring to products and not to activities...

156. The definition of characteristic products and activities was given much importance in the elaboration of the conceptual framework, although, in the end, it is only significant when the objective pursued through the compilation of the TSA is to make international comparisons.

157. The initial meaning given to the word "characteristicity" rose from the statement of SNA93 on Satellite Accounts 28, where it is suggested that the first step in the establishment of a functionally oriented Satellite Account is to define products and activities, which shall be considered as specific to this field.

158. The recommendations emphasize that the compilation of the Satellite Account supposes that specific goods and services and characteristic activities have been defined. Two types of specific goods and services should be determined: characteristic goods and services, and connected goods and services.

- "The first category covers the products that are typical for the field under study. We are interested in studying the way these goods and services are produced, what kinds of producers are involved, and what kinds of labour and fixed capital they use". 29

- "The second category, connected goods and services, includes products in whose uses we are interested because they are clearly covered by the concept of expenditure in a given field, without being typical, either by nature or because they are classified in broader categories of products." 30

"In a Satellite Account the main emphasis when looking at production is on the analysis of characteristic activities and producers. Characteristic goods and services are typical of the field under study. The activities in which they originate are called characteristic activities, and producers who carry out a characteristic activity are said to be characteristic producers". 31

"Characteristic producers may be defined in various ways. Ideally, they are units of homogeneous production belonging, either to establishments whose principal activity is a characteristic activity, or to establishments that carry out a characteristic activity only as a secondary activity. For the sake of convenience, establishments whose principal activity is a characteristic activity may be covered totally, including their non-characteristic secondary activities". 32

28 SNA93 Ch. XXI.
29 SNA93, ¶21.61.
30 SNA93, ¶21.62.
31 SNA93, ¶21.98.
32 SNA93, ¶21.99.
"Production activity of characteristic producers is studied in detail. This covers the production and generation of income accounts, the analysis of output by kind of products and number of units produced, the destination of this output (consumption, fixed capital formation, exports) and the labour and fixed assets used”.

159. Nevertheless, the peculiarity of tourism, which is defined, neither by a list of goods or services proper to the activity, nor by productive activities, but by the activities of an individual who finds himself/herself in a particular situation, away from his/her usual environment, makes the search for objective and universally accepted criteria for tourism characteristicity of products and activities partly a lost cause.

160. In Draft 1, these criteria were applied to consumption goods and services, with some adjustment. They were translated in terms of product, and enounced in the following way. A product would be tourism characteristic, if one of these two criteria did hold:

- the consumption expenditure of this particular product represents an important share of total consumption expenditure of tourists;
- the consumption expenditure of tourism in this product represents an important share of the total supply of this product in the economy.

161. Tourism characteristic goods and services were determined as those for which a certain threshold value for any one of these criteria was reached. Goods and services failing this test were considered as "Other non (tourism) characteristic goods and services”.

162. Draft 1 sustained that within a supply point of view, tourism focuses on tourism characteristic activities, which are defined first of all as those categories of establishments, grouped previously according to their production process (the criterion used for the ISIC classification), and for which the goods and services identified as tourism characteristic are part of their typical output. Applying this methodology, it is possible to obtain the activities that are tourism characteristic by nature. Draft 1, suggested additionally to apply the first criterion to individual establishments not previously classified, which would lead to an additional set of establishments, considered as tourism characteristic by location, that is, it identifies those establishments for which tourism most matters, regardless of the ISIC category of activity to which they belong. The set of all characteristic tourism establishments, identified by nature or by location, was called the tourism industry.

163. The idea of defining establishment, tourism characteristic by location was not accepted within the Steering Committee for practical reasons, as it supposed first the possibility of determining tourism areas, and to study establishments

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This concerns principally retail trade establishments located in places visited mainly by tourists, and which activity is mainly justified by the demand of this specific type of customers.
at a detailed sub-national level, which for most countries, presented many statistical difficulties. It was argued that it would require the development of new surveys, and thus increase the cost of compilation. Additionally, the stability overtime of such classification was also matter of discussion, as customers might change their habits.

164. Based on a suggestion from Canada, Draft 2 added an additional criterion in order to establish tourism characteristic products. (Draft 2 ¶116.) "A product could be considered as tourism characteristic if, although not corresponding to important shares in total consumption or total supply, the lack of these services would severely decrease the flow of visitors to a given place". This observation meant to include those products and activities that, although not important in value terms, had an effect on tourism, for instance the existence of parking places, or of taxicab services within a city.

165. Draft 2 suggested that a list of characteristic products or activities should be established, but outside the framework of the TSA.

166. Draft 3 tried to approximate to the notion of tourism characteristic products, and observed (Draft 3 ¶ 115.) that tourism specific products “should be such that they are clearly principally related to the fact of being away from one’s environment, and to the purpose of the trip.” (Draft 3 ¶ 118.) “Within these specific goods and services, characteristic products would be those which verify one of the two criteria of characteristicity.”

167. Draft 3 (b) (¶¶ 120.-130.) added an additional criterion to determine tourism characteristic activity, and it is the need for such activity to cater directly to tourism. The objective pursued with this additional criterion was to systematically exclude from tourism characteristic activities those which produce goods consumed by visitors, and particularly within those, activities producing tourism single purpose consumer durable goods. The activity associated to goods would be only the retail trade activity that makes these goods available to visitors wherever they are. Additionally, it specifically excluded those which produce non-market collective services and those dedicated to the construction of any type of capital goods, in particular buildings and second homes. This marked a trend away from the provisional version of Standard International Classification of Tourism Activities (SICTA) that considered such activities as tourism related.

168. Draft 3(b) (¶¶120., 122.) also observed that in the case of goods, the calculation of the shares to tourism should be applied, using only the retail trade margin, so that the importance of these goods would not be overvalued with relation to the services acquired by visitors.

169. Draft 3 Rev (1) added to the previous comments and proposals an observation on the lack of consistency between the criteria applied for the definition of characteristic tourism activities, and SICTA, although theoretically the concepts applied to determine tourism activities did not differ much from those used to define characteristic tourism activities.
170. As a conclusion of the Meeting of the 5th **Steering Committee**, it was decided to create a Committee on Definitions (COD), which would be in charge of promoting the discussions on the issues of classifications of products and activities and would produce these classifications and definitions. The TSA would thus be an user of the conclusions of such Committee.

171. Such Committee had some heated discussions on the issue of tourism characteristicity. A room document, by Mr A. Franz \(^{34}\), tried to shed some light in the debate. It introduced the notion of Input-Output Characteristicity where the relationship between products and activities is determined by technology, and corresponds to the definition of characteristicity as in *SNA68*. In his view, the notion of characteristicity evolved in *SNA93*, and took a meaning related to a purpose or function. A product was then considered as characteristic of a purpose according to the relative importance of that commodity within the respective functions’ outlay, or to the relative importance of that commodity within the respective domestic supply. The document presented a discussion over the relevance and meaning of the relationship between these two definitions of characteristicity and how they might help in defining the relationship between "characteristic" products and "characteristic" activities.

172. Nevertheless, this document was not conclusive, in terms of establishing criteria. Finally, it all boiled down to the fact that products were to be selected first from the point of view of visitors, primary actors of tourism activity. To tourism characteristic products could usually be associated the productive activities producing these goods (or mainly services) as typical or principal output (among other outputs) (Input –Output Characteristicity).

173. The Committee on Definitions came out with the following definitions:

- Non specific tourism products are products that may be consumed by visitors, incidental to their role as visitors, and are of little interest;

- Specific tourism products are products that are consumed by visitors in their role as visitors (in quantities significant to the visitor and/or to the producer);

- Specific tourism products are divided further into characteristic products and connected products:
  - Characteristic tourism products are those that would cease to exist in meaningful form in the absence of tourism consumption;
  - Connected tourism products are those that would be appreciably affected in the absence of tourism.

\(^{34}\) "The characteristicity discussion: a lengthy story of some misery (but less than glory)" by A. Franz. This document is included in the Annex under “Additional annexes” (reference: Characteristicity discussion).
174. The Committee concentrated its activity in establishing a list of products, the Tourism Product Code, from which countries would establish their own classification of characteristic and connected products. It must be observed though that this list excludes goods, and only includes the retail trade services associated to the goods: nevertheless, as has been explained, goods in their entirety are part of tourism consumption and some goods are even to be considered as typical of tourism (case of single purpose consumer durables): it is only in order to establish their relative importance within consumption that the retail trade margin is used, as well as for the (recommended) calculation of Tourism value added and Tourism Gross Domestic product.

175. As a consequence of the breakdown of the tasks among two working groups, there was no further deepening of the subject to be observed within the following drafts of TSA, until the final review of the document before its presentation to the “Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism” (Nice, France, 15-18 June 1999).

176. At that stage, it was necessary to make a synthesis between the conclusions of both processes.

177. In the document presented at Nice as well as in the documents which were later discussed, as regards to previous drafts, a new orientation was given to the meaning attached to the terms “tourism characteristic” and “tourism connected”. After recognizing the difficulty in applying criteria on an objective manner, which would lead to comparable lists of goods and services and activities among countries, (a necessity if comparisons between countries were to be achieved), and at the same time, the impossibility, for most countries, to have the required degree of breakdown for the precise identification of those goods and services most important for visitors, it was decided to establish an ad-hoc list of characteristic products and activities. This list would be established following in a loose way the criteria that have been approved. It would be defined at a rather aggregate level.

178. (Nice35 ¶3.11. to ¶3.17) Characteristic and connected goods and services, at different levels of detail of classifications, would be extracted from the list of Tourism Specific Product (TSP) using the following criteria:

- **Tourism characteristic products**: those which, in most countries, would cease to exist in meaningful quantity or that consumption would be significantly reduced in the absence of tourism, and for which statistical information seems possible to obtain.

- **Tourism connected products**: those, which, in the country of reference, are consumed by visitors in volumes which are significant for the visitor and/or the provider but are not included in the list of tourism characteristic products.


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• **Tourism specific products**: the set of both tourism characteristic products and tourism connected products; specificity would thus be associated to a special compilation.

179. Although the term “connected” was not easily accepted, as meaning those specific products that are not characteristic, it was finally maintained, in accordance with SNA93 recommendations.

180. The aggregate list of tourism **characteristic** products identified by WTO was restricted, for the time being, to services (Nice 36 ¶3.21., ¶3.22.). This list would be unique, and established by WTO for comparative purposes. From the TSP, countries should establish the list of their connected products, determining those products they consider as specific to their compilation and which are not included in the proposed list of characteristic products.

181. Classification is a topic in which WTO is now dedicating important resources. WTO participates to most international forums in which these topics are discussed. Countries trying to elaborate a TSA are immediately facing the issue of classification. As a consequence, we hope that there will be a great number of experiences to be discussed and new proposals in the near future.

VII.3. The treatment of goods purchased by visitors in the TSA

182. As has already been explained, in the past, the study of tourism consumption focused on services, although REC93 brought up the case of goods, without bringing solutions though.

183. The OECD Manual on Tourism Economic Accounts (TEA Manual), even when it mentioned the fact that visitors could very well purchase goods as well as services, did not dedicate time on this issue; goods were excluded from the list of commodities characteristic of tourism industries which were the only ones on which supply and tourism demand were put into relationship.

184. Since **Draft 1**, the issue of the treatment of goods in the TSA has been in the back ground, and in all the versions of the proposal, it was explicitly mentioned that, although goods were considered part of tourism consumption, it was necessary to give a particular treatment to productive activities involved in the provision of goods to visitors. If only activities in direct contact with visitors could be considered within tourism characteristic activities, then only the retail trade activities providing goods to visitors would be eligible as tourism characteristic activities.

185. The issue was not given the importance it deserved, in regards to its impact on the value of the main aggregate characterising tourism: Tourism Value Added (TVA). This lack of discussion might be attributable to the fact that this

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special issue points precisely at the difference between a demand prospective and a supply prospective on tourism: from a demand point of view, most would not object in including the consumption of goods within tourism consumption (although some countries discuss the relevance of including goods at all, particularly in the case of domestic tourism consumption (analysed, in the case of goods, in terms of displaced demand, and not as an additional demand)); but in the case of supply, many object the consideration of the production process of goods as responding directly to a tourism demand (although in a more complex and extended analysis, this relationship is recognized).

186. This difficulty in understanding the treatment of goods in the TSA is particularly obvious when looking at the codes and lists of tourism products that have been elaborated as collateral projects to the TSA: They exclude goods, but include the retail trade margins associated to the purchase of goods by visitors. A small exception though concerns single purpose durables goods, the purchase of which is explicitly recognized and analysed in terms of consumption, although this description has no effect in the identification of tourism characteristic or specific products: they are not included in those lists.

187. When Draft 3 Rev (1) admitted the calculation of Tourism Value Added as a main aggregate of the system, it was made clear that in the case of goods, only the Value Added generated in the activity supplying goods to visitors would be considered within the aggregate. The value added in the production of those goods would be excluded: In the first approach to Tourism Value Added, which was then defined as the Value Added of characteristic activities in the service to visitors, this was straightforward as long as only retail trade activities could possibly be considered as tourism characteristic activities, while goods producing activities were always excluded.

188. In the NICE document, where Tourism Value Added included solely the value added in servicing visitors, both by tourism characteristic and tourism non characteristic activities, the exclusion of the value added in the production of goods supplied to visitors was to be derived from the combination of (¶3.22.) giving the definition of characteristic and connected tourism activities, and of (¶4.44.) where confrontation between supply and demand was described. The value of goods (net of retail trade margins) was explicitly excluded from this process, and in (¶4.73.) defining Tourism Value Added by its components there was an explicit reference to the provision of goods and services directly to visitors.

189. Nevertheless, it is only when the Inter-secretariat Working Group met and revised the different topics that the issue was finally explicitly put on the table and discussed. As no final agreement could be reached, mostly because no agreement had been reached among OECD countries, no unique solution was proposed, and countries were implicitly left with three possibilities although this was not expressed so bluntly:
(a) To consider the supply of goods within the economy of reference as exogenous from a tourism perspective, and thus, in an analysis of tourism, to be only concerned by their availability to visitors at the right place and at the right time: as a consequence, only the retail trade activity is concerned by tourism. For the sake of the calculation of Tourism Value Added, only the retail trade margin of goods, which derive from an activity in direct contact with the visitor, will be taken into consideration;

(b) Under the same conditions of exogenous supply of goods from a tourism perspective and for the sake of the calculation of Tourism Value Added, to consider all the activities concerned by the provision of goods and services to visitors at the right place and the right time: As a consequence, the whole value of the trade and commercial margins of goods acquired by visitors will be taken into consideration, and therefore all the economic activities involved in their production will be considered in the calculation of TVA;

(c) To consider both the production and the provision of goods as activities concerned by tourism consumption: tourism consumption, indirectly, has an effect on the supply of goods, and this effect should be taken into consideration in the calculation of Tourism Value Added, although producers have no direct contact with visitors, except through the goods those visitors acquire.

190. It must be observed nevertheless that a unified solution should be worked out, as the difference in the treatments have an important impact on the key variable defining the size of tourism, that is on the aggregate value of Tourism Value Added.

VII.4. Tourism Gross Fixed Capital Formation

191. From the beginning, gross fixed capital formation has been recognized as an important variable for the study of the economic importance of tourism. In Draft 1, two series of tables were recommended, one in which gross fixed capital formation by product was further subdivided by activity (detailed characteristic ones and others) and another one where gross fixed capital formation by product was classified by sector of activity (detailed characteristic activities and other activities).

192. There was no precise definition of what this gross fixed capital formation related to tourism was, but a list of specific products was suggested, which covered:
• Equipment for the transport of passengers
  ▷ By land
  ▷ By water
  ▷ By air

• Construction
  ▷ Resort residences, second homes, weekend homes
  ▷ Commercial buildings in tourism areas
  ▷ Hotel, restaurants and similar buildings
  ▷ Buildings for public entertainment in tourism areas
  ▷ General infrastructure
  ▷ Construction for sports and recreation in tourism areas

• Equipment
  ▷ Furniture
  ▷ Machinery for restaurants

193. An additional set of tables was suggested, where imported goods for gross fixed capital formation were presented by type of good and sector of acquisition.

194. Finally, tables relating to stocks of fixed assets related to tourism were also suggested.

195. Draft 2 intended to be more specific and to approximate somewhat more the concept of gross fixed capital formation specific to tourism: it mentioned in particular the exclusion of those capital goods which, although necessary for the provision of services to visitors, are not considered, economically, as part of the production processes of these services or are not proper to the service to visitors: it is the case for instance of non-toll roads, necessary for the provision of road transport services to visitors, but which are not, in national accounts at least, considered as part of the production process of these services; it also excluded second homes, as the services provided by these homes had been excluded from consumption in that version of the TSA.

196. The tables proposed were simplified, and some of them disappeared, as for instance gross fixed capital formation by sectors, and by origin (nationally produced, imported).

197. Draft 3 made a step further in the definition of capital formation in specific goods and services, as it defined it as (¶ 123.) “all acquisitions less disposals of non financial produced assets which are directly and typically used by producing units in the production process leading to the provision of characteristic goods and services to visitors”. The link with tourism was thus provided by the characteristic activities producing characteristic products. It specified also that (¶ 126.) “the visitors should have a direct contact with these goods” : as a consequence, a hotel, a ski lift, would be considered as a specific good and service, but not the computer used by a hotel for its management or the computer system used for the reservation system used in airlines.
198. **Draft 3(b)** introduced a reflection on the categories of investment which might be considered as tourism related, and identified 4 different type of such investments (¶ 146.):

- “Fixed capital formation might be the deed of the producer of the service which will be provided to the visitor... They refer to specific investment goods...

- Fixed capital formation can be realized by the public authority and
  - Be directed exclusively or principally to visitors;
  - Be directed generally to all activities and besides, favour tourism;

- There might be other capital formation which, although not proper and directly involved in the provision of the service to visitors, is the unseen but necessary equipment needed by the provider.

- Finally, there is also the need for non produced assets”…

199. It specified that the system considered two different categories of capital formation (¶ 253.) viewed as complementary: “in the first category, we include the net acquisition of a specific list of fixed assets, considered as ‘specific’ to tourism by their nature. This acquisition might be the deed of establishments belonging to the tourism industry, or to any other. In the second category, we include the **total** net acquisition of non financial assets restricted to the producing units belonging to the tourism industry”.

200. A list of these “specific” assets was proposed, but only considered as a suggestion, on which further work should be done. The Draft insisted in the fact that for tourism characteristic activities, all the net acquisition of non-financial assets should be considered. From the four categories of investments identified previously, it retained three of them as the focus of tourism capital formation.

201. **Draft 4** brought little change to the previous analysis: it proposed a further characterization of fixed capital formation by the public authority, and specified (¶ 192) that “the TSA will only provide recommendations on a limited scope of capital formation generated and required by tourism, namely the part that can be unambiguously associated to tourism, due to the nature of the good or the link to characteristic activities.”

202. Regarding the idea of establishing a tourism share within fixed capital formation in order to establish, similarly as with Value Added, how much of the gross fixed capital formation of an economic activity is driven by tourism, the draft mentioned the difficulty to establish a “tourism expenditure component”, as there is no easy to establish link between the output of a period and the flow of investment of the same period. The draft stated (¶ 298.) that “for the time being, no suggestion will be made on the issue.”

203. **Draft 4 Rev (1)** introduced no change to **Draft 4** on this specific issue.
204. The document finally presented at the Nice Conference reworded the characterization of investment related to tourism and presented the four following categories (¶ 2.86.):

- Tourism specific produced fixed assets.
- Investment by the tourism industries in non tourism specific tangible fixed assets.
- Infrastructure put in place principally by public authorities.
- Non produced non financial assets, which, it is recalled, is not part of gross fixed capital formation.

205. In terms of measurement, the document specifies that two steps are necessary in order to measure a pure tourism gross fixed capital formation aggregate (¶4.88.): “first the identification of the items constituting those capital goods associated to the service to visitors; then the establishment of a tourism share associated to each of the investment components”.

206. Regarding the first step, the document states that “due to conceptual and measurement difficulties, and lack of experience … the TSA, for the time being, will exclude the investment in public infrastructure in relation to transport”.

207. Regarding the second step, due to lack of evidence and experience in the compilation of tourism share in investment, no such compilation will be made.

208. (¶4.92.) “As a consequence, and for the time being, TSA will only consider two global aggregates:

- Gross fixed capital formation in specific tourism fixed produced assets by all economic productive activities.
- Total tourism gross fixed capital formation, which adds to the previous aggregates the gross fixed capital formation of tourism industries in non specific tourism fixed assets.”

209. The document resulting from the consensus process and adopted by the United Nations Statistical Commission set aside most of the progresses made in trying to identify with some precision Tourism Gross Fixed Capital Formation: it staid in very general terms, and generated certain confusions in discussing part of Gross Fixed Capital Formation as an attribute of Tourism activities, without pointing out that it related to only part of the aggregate. Nevertheless the tables and classifications were not modified and cover both: tourism gross capital formation identified through specific products, and that identified through tourism characteristic activities. The reasons why a tourism share on gross fixed capital formation of the different activities cannot be given are also detailed.

210. The final document, from four categories of investment identified in previous versions of the draft, only retains two: (¶2.83.) the total gross fixed capital formation of the tourism industries, and the gross capital formation on tourism
specific capital goods, which are directly linked to the provision of services to visitors.” No attempt is made to elaborate a criterion to allocate this investment to tourism consumption.

211. The classification and tables correspond to those proposed previously. Interestingly, emphasis is put on a “pro-memoria” item, comprising tourism non-produce tangible assets and tourism non-produced intangible assets.

212. A specific working group of the Committee on Statistics has been set up in order to make progresses on the issue of Tourism Capital Formation. It has been working on a proposal, tending to associate a tourism factor use to all existing stocks of capital, and to generate a notional flow of service associated to the use of stocks of capital in the production processes responding to tourism consumption. Nevertheless, the relationship between changes in these flows of tourism consumption and gross fixed capital formation is unclear, as there might be combined effects of change in the intensity of use, change in the tourism factor, and change in the effective value of the capital stock through depreciation and gross fixed capital formation.

213. Discussions are still needed in order to see how to associate a future flow of uses, which is what has to be taken into consideration for the allocation of gross fixed capital formation to tourism.

VII.5. Additional issues

VII.5.1. The usual environment

The usual environment required to distinguish a visitor from all other travelers within a location... corresponds to the geographical boundaries within which an individual displaces himself/herself within his/her regular routine of life.

TSA RMF ¶ 2.6

214. The concept of usual environment is a basic one for tourism statistics as only trips that take an individual outside his/her usual environment can be considered as tourism. It is a concept attached to individuals. This concept is proper to tourism statistics. National Accounts and Balance of Payment statistics use the concept of residence, which refers to the location of the centre of economic interest of an institutional unit and is attached to that statistical unit.

215. A small note, which can be consulted in the annexed documents 37 tries to summarize some aspects of the relationship between the concepts of residence and that of usual environment.

216. The definition that was proposed for the TSA originated from *REC93*, and the different forms that took the description of the concept along the years was only the image of the debates that surged in the intent to clarify its limits, in particular with relation to the concept of residence and the visits to second homes. It reflects also the difficulty in giving a unique definition with countries so different in size, habits, income levels and availability of transportation.

217. The notions of frequency and routine are relative to modes of life: is a visit on a weekly basis sufficiently frequent so that it can be considered within the usual environment? Each country should pronounce itself, according to the average behaviour of their people.

218. The notion of distance is even more difficult to homogenize among countries. In some countries, wherever you live, you are outside of the limits of the country in an hour or less. Other countries are huge and are more of a continent type. Some people live on the border, and going abroad is a daily notion, which is loosing more and mores its significance, in countries as those belonging to the European Union where border controls have disappeared. It was agreed to use the notion of administrative borders to give the sense of distance, but again, there is a huge difference in their size among countries, and this might not be meaningful for populations living along the borders. Further more, there might be difficult issues of measurements involved...

219. Finally, it was not possible in *TSA:RMF* to give a unique voice regarding visits to tourism second homes, which some countries wish to consider in some circumstances as part of the usual environment of the individuals which visit them.

220. Some opinions on the topic:

- "Displacement of demand is the real stuff of tourism. It sometimes get confused because the place displaced from and to are within the same economic sphere and therefore it appears from the point of view of the account, that nothing has happened…"

- ".To exclude displaced demand is problematic: under normal circumstances, visitors purchase items while on a trip that they could have easily purchased in their usual environment, but did not. To exclude this "displaced demand" from tourism consumption would require researchers to know what goods could and could not be purchased within the usual environment…"

221. The topic is recurrent in all discussion on tourism consumption, and has been commented in previous headings of this document (¶¶ 72-80).
VII.5.3. Duty free purchases and transit visitors

222. REC93 excludes transit visitors from tourism statistics. This is not stated explicitly, but derives from ¶ 39 where it is specified that only same-day visits corresponding to "round-trip from the place of usual residence" should be included in tourism statistics. All other same day trips should be excluded, and in particular, all those which correspond to "en-route" stopovers, considering that they generate double counting from the demand point of view, because they are part of a bigger trip reported as such.

223. In all the schemes where the coverage of tourism is presented, transit visitors are excluded from visitors and tourists.

224. It is only in Draft 3 (b) that this coverage was first criticized. "Finally, visitors in transit have all the characteristics of visitors, and there is no theoretical ground to exclude them... some countries even allow their stay overnight. They surely constitute a market, and some airports have turned their transit zones into important shopping malls". Il observed though that measuring their flow might be not an easy task; "obviously it might be difficult to identify them, because usually, there is no control nor restriction in their movement within the in-bond zones. But their consumption has to be considered within tourism consumption".

225. This position was positively received by the private sector: "We need to construct an appropriate mechanism that recognizes that those who are present in a territory but who may be non-visitors in a legal sense are still clients who spend and use services...This should be constructed in a modular fashion to permit separate identification and inclusion or exclusion as needed". "...As a sideline remark, it would be our opinion that transit sales should be accounted for even if it would be very difficult to do it so correctly, considering sales at departure, at arrival and also at intermediate stops. in some countries, however, the tax free sales are an incentive for choosing a destination (Dubai as transit, Singapore as shopping, etc.) Durable goods should be treated separately even if certain destinations and type of travel play a role (electronics, precious stones, etc...)".

226. There was no further discussion of the topic, although this meant a deviation with regards to the definitions which had been adopted in REC93: it had to be recognized that if, from a demand point of view, it was difficult to define separately in-transit visits or trips, it had an economic meaning for the places visited, so that they had to be included, if tourism had to be considered from a local perspective: in transit visitors generated a demand on the locations visited which had all the characteristics of tourism: individuals form outside their usual environment, on a trip where they were not to be remunerated form the places visited.

227. The version finally adopted as international recommendation insisted in the fact that in transit visitors related to all categories of visitors: they could be international or domestic visitors, same-day visitors or tourists. This category covered both those visitors considered legally as transit visitors, and remaining in the transit zones of airports, as de-facto transit visitors, that is, those visiting a place en route between two other "main" points of origin and destination.
CONCLUSION

228. The elaboration of an international standard for a conceptual framework for the Tourism Satellite Account is a very atypical endeavour in the development of statistical systems for specific areas. There are very few areas of economic activity where there is such an international concern for comparability, which encounters a specific forum to express itself, as is the existence of WTO for tourism. Another specific characteristic is the public-private partnership that was achieved in this process, and which resulted in a very rich experience, although discussions have sometimes taken too heated ways.

229. It must be recognized that the solutions that were adopted were not always the unique possible, and the sometimes-diverging process through which the proposed solution was obtained illustrates this. It also reflects the richness of the discussions, where very different points of view had to meet and to reach certain type of agreement. It must be underlined though that, although the steering committee had an important say in the process, the final decisions were finally responsibility of WTO, the OECD, Eurostat and UNSD, which are totally accountable for finding a final compromise.

230. Many topics are still open for discussion: the treatment of goods in the system, the cost benefit analysis, the meaning of the aggregates of tourism value added and tourism GDP, classification of tourism goods and services and activities, tourism gross fixed capital formation, and obviously all the possible extensions of the system: This will be the work to be done in the future years, and it should benefit from the experience of the countries, in their intend to implement the system, and to use its results.
ANNEXES

A. BASIC TEXTS
Annex 1
Comparisons of the different versions of the Tourism Satellite Account (TSA)

<table>
<thead>
<tr>
<th>Date of issue</th>
<th>Draft 1: January 1995</th>
<th>Draft 2: December 1996</th>
<th>Draft 3: March 97(second thoughts on the previous one)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic orientation</td>
<td>Strongly National accounts oriented: the relationship of all the concepts used in the TSA to national accounts principles, variables, aggregates and definitions are stressed. The tables proposed are strongly linked to the tables in the SNA.</td>
<td>This link to SNA is made weaker, at least from a presentation point of view. The issues involved in the construction of a Satellite Account according to SNA are more precisely stated.</td>
<td>A discussion of the definitions in the Recommendations is initiated in this draft, concerning second homes and consumer durables</td>
</tr>
<tr>
<td>Definition of Tourism</td>
<td>Defined from three different points of view: - The demand approach: tourism as the consumption expenditure of tourists - The supply approach: tourism as the set of producing units providing goods and services to tourists - The institutional approach:</td>
<td>The definition of a visitor is reviewed and corrected;</td>
<td></td>
</tr>
<tr>
<td>The demand approach</td>
<td>Consumption expenditure of tourists: the definition of the UN-WTO recommendations is used; No mention is made of the “in kind” content of tourism consumption, neither of the consequences on the aggregate of its link to the concept of household final consumption of SNA.</td>
<td>The system excludes from tourism consumption services produced within a household and provided free of charge to another and the services of own-account second homes as long as no specific outlay associated to the transfer (¶97.a): estimations will only cover the provision of goods and services provided by third parties if there is an outlay and of non market services, individual or collective, provided by NPISH and General Government (¶81). It includes all tourism transactions in kind involving expenses by the provider (¶97.a). It excludes all consumer durables of important unit value (¶ 88, 89 and 90) New definition of Expenditure on Tourism, consistent with SNA93 Ch XXI, which includes • actual Tourism Consumption; • Consumption of Support Services by GG and NPISHs; • Capital formation in specific goods and services; • GFCF of characteristic activities in non-specific products; • Specific transfers.</td>
<td>Same previous considerations, but: • Consumer durables are included within tourism consumption, in proportion of their tourism use. (¶86-88) • the inclusion of Housing services provided by second homes is also proposed</td>
</tr>
<tr>
<td>The supply approach</td>
<td>Tourism activities group establishments that are defined as such either because of their main production (their typical output is a tourism related product), or by their location in “tourism areas”.</td>
<td>The location criterion is dropped. The tourism industry is defined as the producing units which principal activity consists in delivering goods and services, considered as characteristic of tourism, directly to visitors. (¶ 135)</td>
<td></td>
</tr>
<tr>
<td>Date of issue</td>
<td>Draft 1: January 1995</td>
<td>Draft 2: December 1996</td>
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</tbody>
</table>
| **Classifications** | • Products part of tourism expenditure are classified in two major categories: those related to the fact of being away from home or related to the purpose of the trip, (and thus considered as tourism characteristic), and the other consumption products.  
• Other products that usually are not provided to visitors but facilitate or support the adequate supply of goods and services to the tourists are identified and considered as "other tourism related products". A list of tourism related products is proposed in annex.  
• A list of tourism characteristic activities is also proposed in annex: it differs from SITCA, as it only concentrates in those activities producing primarily tourism characteristic products.  
• Forms and categories of tourism are recorded and the definitions of the Recommendations are recalled. | • Tourism characteristic goods and services are identified, and are those which verify one of the two criteria:  
  o minimum share of the consumption of visitors within the total domestic supply of this good or service, or  
  o minimum share of the expenditure on that particular item within the total expenditure of visitors.  
• Tourism collective non market services are also defined, and a list is required.  
• Capital formation in specific goods and services is defined, and a list is required.  
• Forms and categories of tourism are recorded and the definitions of the Recommendations are recalled.(¶145). | • An additional condition is added: are also considered as characteristics those products which do not necessarily correspond to important shares in total consumption or total supply, but whose lack would severely decrease the flow of visitors to a given place. |• Forms and categories of tourism are recorded and the definitions of the Recommendations are recalled. (¶142). |
| **Specific issue discussed** | • The need to adjust the value of total GDP for the TSA in order to consider intermediate consumption of establishments for tourism purposes as element of final demand;  
• Relationship between the concept of residence and that of usual environment, considered as equivalent;  
• Relationship between the “direct purchases in the domestic market by non residents” (SNA) and the consumption of inbound tourism (TSA);  
• Relationship between the “direct purchases abroad by residents” (SNA) and the consumption of outbound tourism (TSA);  
• The treatment of package tours;  
• The treatment of retail trade activities, particularly in the tables | • this proposal has been excluded;  
• better understanding of their relationship; one referring to a household as a whole, the other to individuals, members of a household;  
• The treatment of package tours;  
• possible extension of the coverage of tourism consumption in order to include:  
  o second homes and other services produced within the household and provided free of charge.  
  o goods for resale (in certain locations)  
  o durable goods (important unit value, multiple use, duration of life..)  
  o valuables (in certain locations) | • the no international additivity of the expenses on tourism ;  
• possibility of having undistributed global internal tourism consumption (non market transactions that cannot be assigned to residents or non residents...) |• NO change |
| **Tables** | Table 1: Simplified supply and use table;  
Table 2: Production accounts of characteristic tourism activities;  
Table 3: Tourism expenditure by function  
Table 4: Gross Fixed Capital Formation required by tourism classified by activities; | Table 1: Table 15.1 of SNA 93  
Table 2: The supply and use table for the TSA  
Table 3A: Production Accounts for the tourism industry  
Table 3B Fixed capital formation and net acquisition of non-financial assets by the | NO change |
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<th>Date of issue</th>
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<th>Draft 2: December 1996</th>
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<td>Table 5: Gross Fixed Capital Formations by tourism classified by sectors;</td>
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<td>Table 4A Tourism consumption by forms of tourism</td>
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<td>Table 6B: Imported Gross Fixed Capital Formation of the tourism sector; purchaser's price value and CIF value;</td>
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<td>Table 7A: Imports and exports of goods and services generated by national tourism valued in national currency;</td>
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<td>Table 7 Specific produced non-financial assets – Stocks and annual changes</td>
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<td>Table 10: Employment and labor input in tourism activities;</td>
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<td>Table 8 Sequence of accounts for the Tourism Sector</td>
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<td>Table 11: Economic accounts for the tourism sector.</td>
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<td>No change</td>
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</table>

**Aggregates and ratios which characterize the size of tourism**

- Ratio of total tourism expenditure to adjusted GDP; The same ratio for each type of tourism;
- Ratio of the value added of characteristic tourism activities to GDP;
- Ratio of hours worked in tourism activities to total hours worked in the economy;
- Ratio of consumption of characteristic goods and services within total tourism consumption, globally and for each type of tourism;
- Tourism consumption (no possibility of expressing it as a share of GDP);
- Tourism expenditure (no possibility of expressing it as a share of GDP);
- The GDP of the Tourism industry;
- Tourism GDP
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</tr>
</thead>
<tbody>
<tr>
<td>Basic orientation</td>
<td>A discussion of the definitions in the Recommendations is initiated in this draft, concerning second homes on own account and consumer durables</td>
<td>Intent to give some definition of second homes. <strong>Introduction of the modular treatment of consumption concerning the inclusion of consumer durables:</strong> T1: all consumer durables excluded; T2: consumer durables included on the basis of their use.</td>
<td>Major discussion on transfers of services in kind between households, principally related to second homes. (¶32.a., 75.a.b.) Modular construction with T1 and T2. (T1: no consumer durables, T2 with consumer durables) All consumer durables acquired during a trip are considered within tourism consumption (T2) (¶96) The Notion of tourism single purpose consumer durables is introduced and all purchase of single purpose consumer durables is considered as tourism consumption (¶ 96) For the VA and GDP generated by tourism, only the retail trade margin on goods is considered (Addendum a. ¶10 to Ch. VI)</td>
</tr>
<tr>
<td>Definition of Tourism</td>
<td><strong>Domestic Tourism Consumption:</strong> includes tourism consumption corresponding to resident visitors within the economic territory. <strong>Outbound Tourism Consumption:</strong> tourism consumption corresponding to resident visitors taking trips outside the domestic territory. Besides goods and services acquired directly in the visiting economy, this consumption might include domestically produced goods (bought before the trip) and even imports, and services provided by resident producers. <strong>Inbound tourism consumption:</strong> includes tourism consumption corresponding to non resident visitors taking trips within the domestic territory. It excludes the goods and services purchased by or on behalf of non resident visitors from non resident providers. <strong>Internal tourism consumption:</strong> comprises domestic and inbound tourism consumption.</td>
<td><strong>Service provided by inversion type consumer durables are proposed to be considered within an extension</strong></td>
<td>Same definitions</td>
</tr>
</tbody>
</table>
| The demand approach | Same previous considerations, but:  
- Consumer durables are included within tourism consumption, in proportion of their tourism use. (¶86-88)  
- the inclusion of Housing services provided by second homes is also proposed  
- Some more thoughts are given on this issue | | Major detail on the coverage of individual goods and services acquired by households (insisting on transfers in kind, and production for own final use) (¶39) Service provided by inversion type consumer durables are proposed to be considered within an extension |
| The supply approach | For goods, only the retail trade activity consisting in selling them is considered as a possible tourism characteristic activity (¶ 134) | For goods, only the retail trade activity consisting in selling them is considered as a possible tourism characteristic activity (¶ 120) IN table 15, only the value of retail trade margin of goods is subject to VA calculation | For goods, only the retail trade activity consisting in selling them is considered as a possible tourism characteristic activity. IN table 15, only the value of retail trade margin of goods is subject to VA calculation |
An additional condition is added: are also considered as characteristics those products which do not necessarily correspond to important shares in total consumption or total supply, but whose lack would severely decrease the flow of visitors to a given place.

Forms and categories of tourism are recorded and the definitions of the Recommendations are recalled. (¶142).

Tourism characteristic activity must cater to the visitors themselves: it excludes from tourism characteristic activities the producer of characteristic goods (luggage, etc…) (¶120)

Discussion on the meaning and relevance of the indicator Tourism GDP and Tourism Value Added (TVA) added as an annex

TVA restricted to characteristic activities (as OECD)

Discussion on the meaning and relevance of the indicator Tourism GDP included within the main text

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| Classifications | • An additional condition is added: are also considered as characteristics those products which do not necessarily correspond to important shares in total consumption or total supply, but whose lack would severely decrease the flow of visitors to a given place.  
• Forms and categories of tourism are recorded and the definitions of the Recommendations are recalled. (¶142). | • Tourism characteristic activity must cater to the visitors themselves: it excludes from tourism characteristic activities the producer of characteristic goods (luggage, etc…) (¶120) | •  |
| Specific issue discussed | • the no international additivity of the expenses on tourism ; • possibility of having undistributed global internal tourism consumption (non market transactions that cannot be assigned to residents or non residents…) | • Discussion on the meaning and relevance of the indicator Tourism GDP and Tourism Value Added (TVA) added as an annex  
• TVA restricted to characteristic activities (as OECD) | • Discussion on the meaning and relevance of the indicator Tourism GDP included within the main text |
| Tables | Table 1: Table 15.1 of SNA 93  
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Table 2: Outbound tourism consumption by commodity and according to origin  
Table 3: Inbound tourism consumption by commodity and according to origin  
Table 4: Internal and national tourism consumption by forms summary  
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Annex 1: Inputs of characteristic tourism commodities to package tours  
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<td>Table 13: Supply and tourism demand by commodity</td>
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**Aggregates and ratios which characterize the size of tourism**

- Tourism consumption (no possibility of expressing it as a share of GDP)
- Tourism expenditure (no possibility of expressing it as a share of GDP)
- The GDP of the Tourism industry
- Tourism GDP
- Tourism Consumption (according to forms and categories of tourism)
- The value added of the tourism industry
- Tourism GDP
- Tourism Consumption (according to forms and categories of tourism, and coverages (1) and (2));
- The GDP of the tourism industry;
- Tourism GDP
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<td>Major discussion on transfers of services in kind between households, principally related to second homes. (¶32.a., 75.a.b.) Modular construction with T1 and T2. (T1. no consumer durables, T2 with consumer durables) All consumer durables acquired during a trip are considered within tourism consumption (T2) (¶96) The Notion of tourism single purpose consumer durables is introduced and all purchase of single purpose consumer durables is considered as tourism consumption (¶ 96) For the VA and GDP generated by tourism, only the retail trade margin on goods is considered (Addendum a. ¶10 to Ch. VI)</td>
<td>Core definition of Consumption: excludes pre and post trip purchases, but includes all purchases on a trip, including consumer durables. Extension E1: adds the purchase of small items, before and after the trip; Extension E2: adds the purchase of single purpose durable goods made at any time; Other extensions are left to the &quot;extensions&quot; of the TSA (multipurpose durable goods)</td>
<td>Emphasis on why the strict compliance with the production boundary of SNA was selected;</td>
</tr>
<tr>
<td>Definition of Tourism</td>
<td>The same as the previous one</td>
<td>• Terms concerning tourism consumption are still under discussion. Expenditure seems to be preferred.. • Inbound tourism expenditure is redefined including all expenditure, even those made in the country of origin; • Introduction of the notion of &quot;adjusted inbound tourism expenditure&quot; which excludes consumption by non resident visitors outside the economic territory of the country of reference. • Internal tourism expenditure is defined as including that part of outbound tourism expenditure which takes place in the economic territory of the country of reference (non additivity...) • Reconciliation with SNA is sought, but difficult to implement.</td>
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<td>Major detail on the coverage of individual goods and services acquired by households (insisting on transfers in kind, and production for own final use) (¶39) Service provided by inversion type consumer durables are proposed to be considered within an extension</td>
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<td>For goods, only the retail trade activity consisting in selling them is considered as a possible tourism characteristic activity . IN table 15, only the value of retail trade margin of goods is subject to VA calculation</td>
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<td>The term tourism industries substitute tourism industry to show the diversity of activities involved.</td>
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<tr>
<td>Classifications</td>
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<tr>
<td>Specific issue discussed</td>
<td>• Discussion on the meaning and relevance of the indicator Tourism GDP included within the maintext</td>
<td>• Introduction of the effect on government income • Collective non market services are only discussed as a table • Actions developed by the private sector is discussed in the chapter on tables, but no table is provided.</td>
<td>• TVA applies to all economic activities, characteristic and non characteristic (change follows that by OECD) • effect on service activities is clearly stated in table 5c • For consumer durables, the notion of “important unit value” is introduced.</td>
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<td>Table 15: tourism induced output and value added by activity</td>
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<td>• The GDP of the tourism industry;</td>
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<td>• Tourism Value Added (TVA)</td>
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<td>•</td>
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<td>TVA and Tourism GDP now relate to all productive activities, and not only to the tourism industries.</td>
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<td>Basic orientation</td>
<td>Emphasis on why the strict compliance with the production boundary of SNA was selected (response to USA);</td>
<td>Balanced document; improved editing. Different possible coverages of consumption are dropped (core, E1, E2); The case of multipurpose consumer durables is sent to extension.</td>
<td>Focused on what needs to be approved (exclusion of historical introduction and extensions); Improved conceptual approach</td>
</tr>
<tr>
<td>Definition of Tourism</td>
<td>monetary (for in cash) and non monetary (for in kind) transactions clearly separated; Consistent use of the series of concepts: final consumption expenditure (in cash, in kind, total); tourism actual consumption and tourism (total) consumption. Internal tourism consumption and tourism internal consumption are defined differently (tourism internal consumption = internal tourism consumption + domestic part of outbound tourism consumption)</td>
<td>The terms: Characteristic and connected are given a different meaning than in SNA93: characteristic; on which international comparability is sought; connected: proper to a given situation</td>
<td>use of the terms “in cash” and “in kind”, consistently with SNA 93; The terms domestic tourism consumption; outbound tourism consumption, inbound tourism consumption, internal tourism consumption are redefined and established according to the residence of the visitor and the venue of consumption;</td>
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<td>The demand approach</td>
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<td>The supply approach</td>
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<td>Specific issue discussed</td>
<td>• TVA applies to all economic activities, characteristic and non characteristic (change follows that by OECD) • effect on service activities is clearly stated in table 5c • For consumer durables, the notion of “important unit value” is introduced.</td>
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<td>Detailed treatment of travel agency and tour operator services as it has an impact on the value of internal tourism consumption.</td>
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<td>Table 1b Inbound tourism expenditure by commodity (adjusted)</td>
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<td>Table 2a: Domestic tourism expenditure by commodity</td>
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<td>Table 3b: Outbound tourism expenditure by commodity (adjusted)</td>
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<td>market services related to tourism</td>
<td>Table 15 Economic accounts for the Tourism sector</td>
<td>Table 10: Physical indicators</td>
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</table>

Aggregates and ratios which characterize the size of tourism

- TVA and Tourism GDP now relate to all productive activities, and not only to the tourism industries.
- The same as the previous versions
- Internal tourism consumption in cash
- Internal tourism consumption (in cash and in kind)
- Values added of the tourism industries (VATI)
- Tourism value added (TVA)
- Tourism gross domestic product (TGDP)
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<td><strong>Basic orientation</strong></td>
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<td><strong>Definition of Tourism</strong></td>
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**Aggregates and ratios which characterize the size of tourism**

- Internal tourism consumption in cash
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## Annex 2
### Tables of contents of the different versions of the Tourism Satellite Account (TSA)

<table>
<thead>
<tr>
<th>Date of issue</th>
<th>Draft 1: January 1995</th>
<th>Draft 2: December 1996</th>
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</table>

### Outline

#### I. Introduction
- **Tourism: a general definition of its scope**
  - A. Definition of tourist
    1. The purpose of the travel
    2. The duration of the travel
  - B. Definition of tourism
    1. Tourism as the consumption expenditure of tourists
      a. Definition
      b. Classification
    2. Tourism as the set of production units providing goods and services to tourists
    3. An institutional definition of tourism
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- B. Flows of goods and services
- C. Productive activities
- D. Institutional sectors
- E. Need for a satellite account for tourism
  1. The demand approach
  2. The classification of goods and services has to be modified
  3. The classification of activities has to be modified
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  5. A clear linkage with non-monetary data is required

#### III. Tourism as a functionally oriented satellite account
- A. The concept of residence and the classification to be used
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- C. The concepts of uses and national expenditure on tourism as proposed by SNA
  1. According to the Recommendations on Tourism Statistics, tourism expenditure and tourism consumption are equivalent
  2. What tourism expenditure, according to this definition, does not include
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  1. Tourism Expenditure according to the Recommendations on Tourism Statistics
    a. Definition
    b. Nevertheless, it excludes some outlays
    c. It is not restricted to expenses made by the visitor himself
    d. Consumption is used as synonym of expenditure
  2. Tourism Consumption according to the recommendations of SNA
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<td>E. Definition of Tourism as a particular institutional sector</td>
<td>3. New definitions in line with SNA recommendations</td>
<td>3. Additional components of Tourism Expenditure</td>
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<td>F. Tourism as a particular category of use</td>
<td>D. Classifications 1. Classifications of goods and services Characteristicity</td>
<td>E. Classifications 1. Classifications of goods and services a. Actual Final Consumption by visitors</td>
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<td>G. Classification of Gross Fixed Capital Formation</td>
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<td>b. Consumption of Support Services by General Government of Tourism collective non market services</td>
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<td>H. Supply and use tables</td>
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<td>c. Capital Formation in specific goods and services</td>
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<td><strong>IV. Basic principles of the system</strong></td>
<td>2. Classification of producing units</td>
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<td>3. Classifications of the information by forms and categories of tourism</td>
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<td>E. Principles of recording 1. The time of recording</td>
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<td>C. The producers</td>
<td>2. The principles of valuation a. The currency</td>
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<td>D. Package tours</td>
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<td>E. The tourism sector</td>
<td>c. Imputations</td>
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<td>F. The time of recording</td>
<td>d. Consistent measurements of price and volume indicators</td>
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<td>G. The principles of valuation</td>
<td>3. The case of the services provided by travel agencies and &quot;packagers&quot;</td>
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<td>1. The currency</td>
<td>a. The service of the travel agent is directly and separately invoiced to the visitor</td>
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<td>2. Basic prices for output and purchasers’ prices for uses</td>
<td>b. The service of the travel agent is invoiced to the provider of the travel services offered to the visitor</td>
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<td>3. Imputations</td>
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<td>A. The supply and use tables</td>
<td>IV. The main aggregates and the tables and accounts</td>
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<td>particular case: the treatment of retail trade activities</td>
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<td>B. Table 3: tourism expenditure by function</td>
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<td>C. Tables 4 and 5: Gross Fixed Capital Formation required by tourism</td>
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   2. Table 8: Global impact of tourism on Balance of Payments
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H. General sectoral accounts
   I. The aggregates for tourism and their relationship with traditional national accounts aggregates

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   B. Restriction of the system to international tourism
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D. Relationship to existing national accounts calculation
   1. What has to be done when national accounts estimations already exist and are not consistent with the independent calculation of a satellite account for tourism?
   2. What has to be done when national accounts are in the process of being reviewed?

ANNEX 1 Classification of goods and services related to tourism defined from the Central Product Classification C.P.C.

ANNEX 2 Proposal for a classification of tourism activities to be used in the Satellite Account defined from the International Standard Industrial Classification I.S.I.C.
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### I. Introduction

**A. The need for a system of economic information referring to tourism**

**B. Earlier works on the integration of tourism in national accounts**

**C. Structure and content of the present conceptual framework**

### II. Features of SNA of importance for a Satellite Account for Tourism

**A. The extent of National Accounts and the matrix presentation**

**B. The production boundary**

**C. The treatment of consumer durables**

**D. Extension of the concept of Household Final Consumption**

**E. The statistical units used in the System**

**F. The concept of residence and the account of the Rest of the World**

**G. SNA makes explicit reference to the classifications to be used**

**H. Functionally oriented satellite accounts are explicitly suggested for the analysis of certain sectors of activity, namely tourism**

### III. Concepts, definitions and classifications which are proposed for the Satellite Account for Tourism

**A. The visitor, at the basis of the Satellite Account**

1. The usual environment
   - Usual environment and residence
   - Usual residence and second homes
2. The duration of the stay
3. The purpose of the travel
4. Classification of visitors

**B. Tourism Expenditure**

1. Definitions according to the “recommendations”
2. What is clear in the definition
   - Exclusion of purchases for commercial purposes
   - Exclusion of non consumption goods and assets
   - Exclusion of other transactions outside the scope of consumption expenditure
3. Ambiguities of the definition
4. The definition which shall be used in the core
5. Alternative scopes which

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**II. Basic concepts and definitions concerning tourism from a demand point of view**

**A. The visitor, at the basis of the Satellite Account**

1. The usual environment
   - Usual environment and residence
2. The duration of the stay
3. The purpose of the travel
4. Classification of visitors

**B. Tourism Expenditure**

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- Proposal for the compilation of the value added (and employment) induced by tourism demand using a detailed product x product input-output tables
- Analysis of the concept of travel agencies

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2. Major scope of tourism: the notion of world tourism

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2. Services provided by investment type consumer durables

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<td>Document presented to UNSC: November 1999</td>
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FOREWORD

The conceptual framework of the Tourism Satellite Account (TSA) presented in this document has been developed under the responsibility of the WTO Secretariat. It is based on contributions by WTO staff, WTO consultants, Member and non-member countries, and international organizations. These contributions have been made at the meetings of the WTO Steering Committee on Statistics established following the 1991 International Conference on Travel and Tourism Statistics.

This document contains a comprehensive, consistent and flexible set of recommendations for countries concerning a basic system of classifications, definitions, tables and aggregates linked to the standard tables of the United Nations System of National Accounts 1993 (SNA93), to be applied to the national economy on an annual and yearly basis. Consequently, this system constitutes the basis for international comparisons of tourism’s economic impacts.

The scope of the TSA is presented in a progressive form, so that National Statistical Offices (on their own initiative or in cooperation with other specialized bodies in National Tourism Administrations) can develop it, at the pace suggested by their resources and experience.

WTO aims to prepare not only a set of manuals to guide countries in implementing the TSA so as to measure tourism expenditure, supply and demand, but also to hold Seminars aimed at the overall understanding of the conceptual framework, as well as the necessary statistical processing required for the design of the TSA itself.

I am sure that in the coming years, a significant number of countries will implement the basic elements of the TSA, enabling national tourism economic magnitudes to be compared. In turn, this will make available to both the public and private sector a rigorous description of tourism’s importance as a factor of economic development.

Francesco Frangialli
Secretary-General
World Tourism Organization
ACKNOWLEDGEMENTS

“Tourism Satellite Account (TSA): the conceptual framework” is the result of considerable efforts dating from the late 1970s.

Since the end of the 1970s, France already used the term “Satellite Accounts” (as a way of designating those accounting practices in specific horizontal areas that were not correctly identified in the System of National Accounts, but nonetheless, could be considered as “satellite sub-systems” of that System). France also developed operative plans for the quantification of tourism’s economic impacts.

In 1982, WTO entrusted Prof. José Quevedo (at that time responsible for the preparation of Spain’s National Accounts in the National Statistical Office), with the preparation of a document illustrating the means of describing tourism following the recommendations on National Accounts existing at that time (System of National Accounts, 1968). The document, presented to the Fifth session of the WTO General Assembly in New Delhi in 1983, stressed the importance of such an exercise as a “uniform and comprehensive means of measurement and comparison with other sectors of the economy”. It was not implemented as such but is still considered as a general guideline for most of WTO’s activities in working towards international harmonization of concepts and statistics on tourism.

The Tourism Committee of the Organisation for Economic Co-operation and Development (OECD) also worked on advance recognition of the scope, nature and roles that tourism performs in the OECD economies. In the development of the Manual on Tourism Economic Accounts (in 1991), the OECD examined several of the thornier problems related to the measurement of tourism.

Special mention should be made of the presentation by Statistics Canada during the 1991 Ottawa Conference of a scheme to “establish a credible and comparable means for assessing tourism economic activities in relation to other industries in a domestic economy, and to develop a framework for relating other relevant data regarding tourism activities in an organized and consistent manner”. The scheme was based on a project to examine the feasibility of applying the principles of satellite accounting to tourism.

After the United Nations Statistical Commission adopted in 1993 the “Recommendations on Tourism Statistics” issued by the Ottawa Conference, WTO began to develop the conceptual framework for the elaboration of the Tourism Satellite Account. Mrs. Marion Libreros (France) was designated responsible for developing this project and bringing it to a conclusion. More than four years have elapsed between 1995 (when the first project was drafted) until 1998, when the last Steering Committee on Statistics held in Mexico agreed that the revised fourth version of the TSA would be used by the WTO Secretariat as a blueprint for a conceptual framework of a TSA.
During this process, WTO relied on the collaboration of Dr. Alfred Franz (Austria), Dr. Douglas Frechtling (the United States of America), Mr. Alan Pisarski (the United States of America) and Prof. José Quevedo (Spain), as consultants, as well as on the participants at the final meetings of the Steering Committee on Statistics, viz:

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**JORDAN**: Sari Shafeeg Kashashneh, Jamal Ali Al-Masri
MEXICO: Francisco Madrid Flores, Antonio Escobedo, Rosa María Rodríguez Skewes, Citlalin Durán Fuentes, Armando Mújica

MOROCCO: Hassane El Hamdouni, Saadellan Berhilt, Errati Miloudi

NETHERLANDS: Roel Wittink
NORWAY: Trude Nygard Evensen

PAKISTAN: Naved Arif

PHILIPPINES: Rene R. De los Santos, Romulo A. Virola, Gemma Cruz-Araneta

POLAND: Teresa Skalska, Alicja Lipska, Magdalena Kachniewska

RUSSIAN FEDERATION: Elena Sedova, Andrey Ilin, Serguei Chak

SENEGAL: Semba Diallo

SINGAPORE: Lee Lee Lim, Hazel Teh

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A special word of appreciation is due for the tireless efforts and constant dedication of Mr. Enzo Paci, who died in October 1998, and who, as Chief of WTO’s Department of Statistics, Economic Analysis and Market Research, assumed from the very beginning the role of promoter and general co-ordinator of the whole process which has culminated in the presentation of this document.
Introduction

0.1 Tourism, described as "the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes" ¹, is an activity which has grown substantially over the last quarter of a century, as an economic and social phenomenon. Statistical information on the nature, progress and consequences of tourism is, on the whole, scanty and incomplete. This situation deprives governments, businesses and citizens of the trustworthy information necessary for effective public policies, efficient business operations, and a rising standard of living for both visitors and hosts. Valid information on the role tourism plays in national economies throughout the world is particularly deficient, and credible data concerning the scale and significance of tourism is urgently needed.

0.2 If, in the past, the description of tourism focused on the characteristics of visitors, on the conditions in which they travelled and stayed, the purpose of visit, etc., there is an increasing awareness nowadays on the role tourism is playing and can play, directly, indirectly or through induced effects in the economy in terms of generation of value added, employment, personal income, government income, etc.

0.3 As a consequence, the type of data on tourism required both by the public and the private sector, have radically changed in nature. Besides descriptive information on the flow of visitors and of the conditions in which they are received and served, countries now need robust information and indicators to enhance the credibility of the measurements concerning the economic importance of tourism. These should have the following characteristics:

- They should be statistical in character and be produced on a regular basis, that is, not only as one-time estimations, but as on-going statistical processes, combining the compilation of benchmark estimations with more flexible uses of indicators to enhance the usefulness of the results;

- Estimates must be based on reliable statistical sources, where visitors and producers of services are both observed, possibly by independent procedures;

- Data should be comparable over time within the same country, comparable among countries, and comparable with other fields of economic activities;

- Data should be internally consistent and presented within macro-economic frameworks recognized at the international level; that is, there is a need for new instruments of statistical observation.

0.4 The data required cover the following main areas: analysis of the demand generated by the different forms of tourism (within the same economy, from other economies or towards other economies), classified according to characteristics of the visitors themselves and of their trips, of the goods and services acquired; incidence of such supply on the basic macroeconomic variables of the compiling economy; production functions and interrelationship between activities, which provide the basis for impact analysis; descriptions of the nature of employment and jobs, of capital formation and of non-financial investment; imports and exports and impacts on balance of payments; effects on government revenues, generation of personal and business income, etc.

0.5 The goods and services consumed by visitors are principally transportation, accommodation, food and entertainment, which, in a broad sense, can be considered as characteristic of tourism. According to the trip destination, the purpose of the visit, and the personal characteristics of each visitor, they can be very different in nature, quality and quantity. The study of tourism has to take all these elements into consideration in a regular and systematic presentation.

0.6 Although tourism is by nature a demand phenomenon it is necessary, from an economic point of view, to observe how the match between demand and supply operates and the incidence such supply has on the basic macroeconomic variables of the compiling economy.

0.7 Within a context of macroeconomic analysis, the relationship between supply and demand is best studied within the general framework of National Accounts, and more specifically, within the particular framework of supply and use tables.

0.8 The System of National Accounts adopted in 1993 (hereafter referred as SNA93) provides concepts definitions, classifications, accounting rules, accounts and tables to present a comprehensive, integrated framework for the estimation of production, consumption, capital investment, income, stocks and flows of financial and non-financial wealth, and other related economic variables.

0.9 Within this framework, a detailed analysis of a specific type of demand can be presented in the interface with the supply of these goods and services, within the economy.

0.10 But tourism consumption is not restricted to a set of predefined goods and services. What makes tourism special is not so much what is acquired, but the provisional situation in which the consumer finds himself/herself: he/she is

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outside his/her usual environment, and this is the characteristic that identifies him/her specifically as different from any other consumer.

0.11 This characteristic cannot be recognized within the central framework of National Accounts, where the transactors are classified and identified according to (relatively) permanent characteristic attached to them, one of them being the country or place of residence.

0.12 This makes it necessary to use a so-called Satellite Account, annexed to the core of the System of National Accounts, and which shares, to a greater or lesser degree, with this core system its basic concepts, definitions and classifications. The use of such systems is strongly emphasized in SNA93 3, in order to deal with this type of situation. It is this category of framework that we shall develop here.

0.13 Within this context, Tourism Satellite Accounts will provide:

a. Macroeconomic aggregates to describe the size and the economic importance of tourism, such as Tourism Value Added and Tourism GDP, consistent with similar aggregates for the total economy, and for other productive activities and functional areas of interest; this requires a total consistency with the production boundary of the National Accounts;

b. Detailed data on tourism consumption, and how this use is met by domestic supply and imports, integrated within tables derived from general supply and use tables of the National Accounts, both at current and constant prices;

c. Detailed production accounts of the tourism industries including data on employment, linkages with other productive economic activities, and capital formation;

d. Basic information required for the development of models of economic impact of tourism (at national and supranational level), for the preparation of tourism market oriented analysis, etc.

e. A link between economic data and other quantitative information on tourism, such as number of arrivals, forms of tourism, duration of the stay, purpose of the trip, modes of transportation, types of accommodation, existing supply of seat, rooms, beds, rates of occupancy, etc.

0.14 The Tourism Satellite Account is to be seen in different perspectives:

a. as an instrument for international standardization of concepts and classifications, which allows for valid comparisons from country to country, between groups of countries, and makes also these estimates comparable

3 SNA93 Chapter XXI
with other internationally recognized macroeconomic aggregates and compilations;
b. as a building process to guide countries in the compilation of economic information concerning tourism.

0.15 Nevertheless, the Tourism Satellite Account framework as developed herein is sufficiently flexible, to allow countries to implement the system in stages.

0.16 Specifically, the presentation of this conceptual framework for the preparation of the Tourism Satellite Account takes the form of a basic system of classifications, definitions, tables, and aggregates linked to the standard tables of SNA93 in the functional perspective to be applied to a compiling economy on an annual basis. Consequently, this system is the basis for international comparisons of tourism economic measures in a national economy on a yearly basis.

0.17 Some recommendations are also provided concerning the progressive implementation of the Tourism Satellite Account, in terms of coverage of the visitors concerned, coverage of the concepts, classifications, and of variables to be measured and integrated into the system.

0.18 The scope of the Tourism Satellite Account is presented in progressive form, so that National Statistical Offices (by themselves or in cooperation with other specialized bodies in National Tourism Administrations) can develop it, at the pace suggested by their resources and experience. It is hoped that in the not too distant future, a significant number of countries will implement the basic elements of the TSA, enabling national tourism economic measures to be compared. This will facilitate well-informed public decisions regarding tourism development. It will then be possible to extent the scope of the international standard.
I. Content and structure of the document

A. Presentation

1.1 The conceptual framework for the preparation of a TSA is the subject of the present document which builds on cumulative national and international experiences in measuring tourism activity. It is the outcome of the continuous work and exchange of views among WTO staff, WTO consultants, Members and cooperating countries and other international organizations, which have taken place since the 1991 Ottawa Conference within the WTO Steering Committee.

1.2 Its goal is to coordinate and orient the countries or institutions wishing to enter or that have already entered the field of Tourism Satellite Accounting, by providing general guidelines, and generating a basic language, common classifications, variables and tables, in order to make comparisons possible.

1.3 A number of options were reviewed, as the recommendations concerning the construction of functional Satellite Accounts 1 allow for great flexibility in establishing the link of such Accounts to the central framework of SNA93. It was even suggested that they could diverge from SNA93 as to the production boundary and distinctions as crucial as those between the uses assigned to goods and services (to be precise, the distinction between final consumption expenditure and gross fixed capital formation which concerns consumer durables of significant unit value).

1.4 As the tourism economy was in search of credibility, which had been lacking in the past, the consistency of the Tourism Satellite Account with the main aggregates of SNA93, such as GDP, was considered a basic requirement. As a consequence, the production boundary adopted for the TSA conformed wholly to that of SNA93. This had serious consequences for instance for the treatment of certain visitor expenditures, such as the purchase of specific consumer durables and that of tourism collective non-market services.

1.5 This document is designed to be a conceptual framework; therefore, it does not present concrete recommendations on how to compile the variables required to establish the recommended tables. WTO draws up a list of activities and characteristic tourism products, at aggregate levels, in order to be able to publish results, and with the sole aim of achieving international comparability or, in other words, to obtain from each country the data which permits the completion of comparable TSA tables. This means that each country, when developing its TSA, must establish its own list of characteristic and connected activities and products 2. These should be established in terms of the Standard Industrial Classification of Tourism Activities (SICTA) and of the Tourism Product Code (TPC) and be compatible with these. Consequently, this will allow the establishment of links with the list prepared by WTO which appears in the tables of the proposed TSA.

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1 SNA93 Chapter XXI
2 TSA ¶ 3.16
1.6 WTO anticipates not only to prepare a set of manuals that can guide any country in the measurement of tourism expenditure, supply and demand, but also to hold Seminars and to produce Manuals geared to an overall understanding of the conceptual framework, and to an enhancing of the statistical capability of individual countries in the field of TSA compilation.

1.7 Finally, it should be pointed out that the conceptual framework which is presented here has taken into consideration the whole range of situations from those which expect to compile a TSA in a near future, to those which are in the process of compilation of such an instrument, and to those that already have compiled a TSA.

Chapters II to IV respond mainly to the concerns of the two first categories of countries, and should help to obtain tables and aggregated data suitable for international comparability, even in situations when a high degree of breakdown cannot be reached. These chapters would be of utmost interest for the majority of countries. The expression “proposed TSA” is used in relation to this first type of scenario.

On the other hand, Chapter V responds more to the concerns of countries which already have achieved the previous exercise: this should be the situation of a minority of countries. The expression “extensions to the proposed TSA” is used in this second case.

Nevertheless, some countries which have not yet concluded the compilation of the 10 basic tables, might decide to begin with some of the tasks identified in this Chapter V, such as the development of an employment module or the compilation of the effects of tourism on the extended balance of goods and services.

B. Defining tourism statistics

1.8 Statistics on tourism have often been restricted to data on volumes of travellers, their socio-economic characteristics, their nationality and/or country of residence, their length of stay, purposes of visit, their type of accommodation, hotel capacity and occupancy rates, and the availability of points of interest for visitors, to name a few.

1.9 Over the years, analysts have found that these data are an insufficient guide for policy makers, at micro and macro levels. These policy officials are basically interested in the economic aspects of the activity, and its impact on general economic growth, employment, foreign currency receipts, government income, fixed capital formation and the like. Consequently, efforts have been made at the international and the national levels to seek more complete information regarding the whole set of activities relating to tourism. This set should largely encompass demand by visitors and supply of products by producers and relate them to other relevant data such as investment, employment, balance of payments, government revenues, etc., and it should
be integrated within the general system of description of the economy of a country, such as the System of National Accounts.

1.10 In the case of tourism, the main difficulties of the exercise, and its specificity, when compared to other areas of social activities such as health, education or the environment, is that tourism is a demand concept of a particular type, as it refers to “all activities of visitors” that is to “any person travelling to a place other than that of his usual environment for less than 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the place visited”. Thus, any acquisition of consumption goods and services is considered as tourism expenditure, if purchased by a visitor, that is, an individual in the situation that has been previously described. Conversely, any supply of goods and services to a non visitor by a unit belonging to an activity more focused, by nature, towards the service to visitors, severs its relationship to tourism expenditure and is considered of a non-tourism nature. For that reason, tourism as such cannot be considered as a main purpose for the analysis of household consumption, but has to be associated to a large set of purposes the fulfillment of which pre-supposes that the individual has to travel outside his/her usual environment.

1.11 As a consequence, and because of the great fluidity of the phenomenon, based on the movement of individuals, it is particularly important to clarify concepts and definitions, before attempting to measure its economic importance using tables and aggregates presented as a system annexed and strongly related to National Accounts. The analysis of tourism using this type of account has great advantages, as it makes it easier to relate its economic variables to the rest of the economic variables of the economy and to show their mutual relationships. As a consequence, these accounts are important tools for policy makers.

C. The development of instruments for the quantification of the economic impact of tourism

C.1. 1991: a date for history

1.12 The WTO International Conference on Travel and Tourism Statistics, held at Ottawa, Canada, in 1991 (hereafter called the “Ottawa Conference”), was the culmination of the great efforts made in the second half of the 1970s and more specifically in the 1980s, not only by international organizations (especially the United Nations, WTO and OECD) but also by countries among which, in addition to Canada, France deserves special mention as a pioneer in the measurement of the economic impact of tourism.

1.13 Since their inception, the United Nations through its Statistical Commission (UNSC) and the World Tourism Organization (WTO) are the international organizations that have established a set of definitions and classifications for tourism with two main purposes:
(a) to achieve international comparability; and
(b) to serve as a guide to countries for the introduction of a statistical system for tourism.

1.14 The period between 1937 and 1980 was characterized by the establishment of definitions and classifications for international tourism statistics that were barely compatible with other statistics:

(a) In 1937, the Council of the League of Nations recommended a definition of “international tourist” for statistical purposes. This was slightly amended by the International Union of Official Travel Organizations (IUOTO) at a meeting held at Dublin in 1950.
(b) In 1953, the United Nations Statistical Commission established the concept of “international visitor”.
(c) The United Nations Conference on International Travel and Tourism (Rome, 1963) recommended definitions for the terms “visitor”, “tourist” and “same-day visitor” proposed by IUOTO. These definitions were subsequently examined by a United Nations expert group on international travel statistics in 1967 and endorsed by the United Nations Statistical Commission in 1968.
(d) In 1978, the provisional guidelines on statistics of international tourism were approved by the UN Statistical Commission.

1.15 In the 1980s, an overall awareness began to emerge of the importance of tourism and its interdependence with other economic and social activities. WTO, in close cooperation with the Statistical Division of the United Nations, initiated statistical research in two directions:

(1) the first aimed at proposing modifications to the definitions and classifications used in studies of tourism to make them compatible and consistent with those of the other national and international statistical systems; and;
(2) the second, aimed at incorporating tourism into the analytical framework of National Accounts.

1.16 As early as 1983, at the fifth session of the General Assembly in New Delhi, WTO issued a report illustrating how it was possible to describe tourism within the recommendations regarding National Accounts existing at that time (System of National Accounts 1968). The document stressed the importance of such an exercise as a “uniform and comprehensive means of measurement and comparison with other sectors of the economy”. It was not implemented as such but is still considered as a general guideline for most of WTO’s activities concerning the international harmonization of tourism concepts and statistics.

1.17 This earlier international work on tourism statistics allowed WTO to present a consistent system of tourism concepts, definitions and classifications at the Ottawa Conference. In particular, a set of statistical definitions on domestic and international tourism and a classification of tourism activities were proposed, both of them interrelated to other international statistics. Moreover, attention was drawn to the need for a system of tourism information integrated to the System of National Accounts: the Tourism Satellite Account.
1.18 Also the Tourism Committee of the Organisation for Economic Co-operation and Development (OECD) worked on advance recognition of the scope, nature and roles tourism performs in the OECD economies and to demonstrate the need for such information in the policy-making. Since 1985, OECD has been working on the integration of tourism within broader statistical instruments like the SNA. In the development of the Manual on Tourism Economic Accounts (OECD, 1991), OECD examined several of the thornier problems related to the measurement of tourism (reconciliation of supply and consumption, treatment of package tours).

1.19 Special mention should be made of the presentation by Statistics Canada during the Ottawa Conference of a scheme to “establish a credible and comparable means for assessing tourism economic activities in relation to other industries in a domestic economy, develop a framework for relating other relevant data regarding tourism activities in an organized and consistent manner, and ensure a means of ‘friendly’ access to the database by potential users”. The Statistics Canada scheme was based on a project to examine the feasibility of applying the principles of satellite accounting to the tourism industry, that was part of the Canadian National Task Force on Tourism Data (1984-1986). The report on the proposed Tourism Satellite Account was released in May 1987, corresponding to the time when the WTO was beginning to develop its ideas for international guidelines for a Tourism Satellite Account.

1.20 Since the Ottawa Conference, not only have many of the initiatives presented begun to materialize, but also the number of countries developing a TSA has increased. In addition to governments, the private sector also has developed its initiatives.

1.21 At its twenty-seventh session in 1993, the UNSC adopted the recommendations of the Ottawa Conference on standard definitions and classifications of tourism and WTO’s Standard International Classification of Tourism Activities (SICTA) as a provisional classification to guide countries. In 1994, the United Nations and the World Tourism Organization published the “Recommendations on Tourism Statistics”, a report on definitions and classifications for tourism statistics pursuant to the Statistical Commission’s request that these be published and widely distributed. 3 Based on the Steering Committee’s work as reflected in this document, some of the definitions and classifications in the 1994 report will need to be adjusted to conform to the principles of this conceptual framework for the elaboration of the TSA.

1.22 Within OECD data collection and analysis of the Tourism Economic Accounts started in 1992 and since then, the TEA has constituted a useful instrument for policy orientation. OECD provides permanent guidance to member countries on how to develop comparable international accounts, using national accounting principles and adopting an integrated approach favouring linkages of tourism with other important economic aspects of tourism, notably employment. Specifically in 1997 the OECD Tourism Committee made the first proposal for a “Tourism Satellite Account for OECD countries”.

1.23 The Statistical Office of the European Communities (EUROSTAT) has also developed a large number of programmes and carried out studies on tourism statistics in the European Union. It has prepared a “Manual of Community Methodology for Tourism Statistics”, compatible with WTO standards. Special mention should be made of the “Council Directive on the Collection of Statistical Information in the Tourism Area” (approved in 1995), which seeks to harmonize and improve the statistical data produced by member States and constitutes the first legal step taken to create an integrated system of information on tourism supply and demand. The scope of this information is restricted to:

(a) the capacity of collective tourism accommodation;
(b) the flow of guests in collective tourism accommodation; and
(c) tourism demand in the two most important tourism markets: holidays and business trips.

1.24 Canada stands out among the countries that have developed Tourism Satellite Accounts during this period. In July 1994, the first results of the TSA developed by Statistics Canada were published. Other countries, such as the Dominican Republic (which applied an initial version of this conceptual

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framework and later adapted it as the versions were modified), Norway, Sweden, Singapore, Mexico and The United States of America have recently published their TSAs. Others like Switzerland, Australia, Finland and perhaps a few more, will do likewise in the near future. The large majority are member countries of OECD that have benefited from the work carried out by the OECD Tourism Committee in recent years for the development of their systems.

1.25 Within the private sector, the World Travel and Tourism Council (WTTC) stands out for its approach to the quantification of the economic impact of tourism. Its methodology focuses on the quantification of the economic impact of visitor consumption (Travel & Tourism Industry) as well as total (Travel & Tourism Economy) through a simulation model. The former is limited to the direct impact of visitor consumption on production. The latter perspective considers the direct and indirect impact associated with capital investment, government expenditures and foreign trade including the increased demand for goods and services generated by the movements of persons all over the world (World Tourism). WTTC favors a demand-side approach, with a comprehensive definition of its scope, linked by economic models to supply-side concepts. Its research relies heavily on economic modelling techniques.

D. Document structure

1.26 In this Chapter I. “Content and structure of the document”, the need for international standards for the compilation of economic data referring to tourism has been presented and progress toward adopting SNA93 principles in a Tourism Satellite Account recalled. Precise references to SNA93 have been given in Annexes 1 and 2 to this document, so that non-specialists in National Accounts might skip these details if they choose.

1.27 The following Chapter II “The demand approach: basic concepts and definitions”, begins by analyzing the basic unit of observation, “the visitor”, and sets out a series of procedures for the correct application of the concepts of consumption where tourism consumption expenditure, in monetary terms, corresponds to the term “visitor expenditure”, traditionally used in the analysis of tourism. Also in this chapter are presented other concepts and definitions defined within the TSA as, for instance, the venues of tourism consumption; tourism consumption; the definition and measurement of tourism consumption in the case of housing services on own account or for free; and the special difficulties inherent in the treatment of package tours and travel agencies services in National Accounts.

1.28 The remaining paragraphs of Chapter II specify the contents of the three components that make up tourism demand generated by this attention to the visitors. If tourism internal consumption, defined as visitors’ (actual) consumption, is the central aggregate to qualify the extent of direct visitor demand within an economy, it must be recognized that this aggregate could validly be complemented by other components of final demand (like tourism collective consumption and tourism gross fixed capital formation). Consequently, this Chapter underlines certain aspects that were not sufficiently explicit in the UN/WTO Recommendations on Tourism Statistics.
Chapter III. “The supply approach: basic concepts and definitions” focuses on the aspects of the supply of goods and services to visitors, defining the activities, and the products which will be the focus of analysis, and the relevant economic variables associated with supply. The analysis of tourism from a supply point of view focuses on producing units of the same kind as those used in the supply and use tables of SNA93, namely establishments. Within the functional perspective, SNA93 defines “industry” as “groups of establishments engaged in the same kind of productive activities”. The set of characteristic tourism activities does not comprise a single industry conforming to this definition. But this set does include a number of classes of “industries” in the ISIC sense. Consequently, the TSA defines the “tourism industries” as all establishments whose principal productive activity is a tourism characteristic productive activity.

Chapter IV “Tables, accounts and aggregates” is the central part of the proposed TSA, including a set of basic tables (10), in accordance with some basic recommendations and a given aggregation of tourism-characteristic products and activities. The tables proposed herein have been presented in their general sequence of compilation. Nevertheless, compilations of the tables might be incomplete, some tables (particularly those specific to certain forms of tourism) might be omitted and the formal sequence maintained:

Table 1: presenting Inbound tourism consumption by products (gross valuation and net valuation of package tours). This table calls for two important breakdowns: one between tourists and same-day visitors, and another of consumption by product. Most countries consider inbound tourism as an important aspect of tourism and will give high priority to this table. Nevertheless, some countries may place a higher priority on domestic tourism. Initially, same-day visitors might be neglected.

Table 2: presenting Domestic tourism consumption by products (gross valuation and net valuation of package tours). This table calls for the same two breakdowns as Table 1. The same considerations discussed above in relation to this table apply here.

Table 3: presenting Outbound tourism consumption by products (gross valuation and net valuation of package tours). This table contains an additional breakdown not required in earlier tables: the differentiation between purchases from resident providers and from non-resident providers because of their different effects on the compiling economy. Usually outbound tourism consumption, particularly the portion provided by non-residents, will have a low priority because it does not affect the comparison between internal consumption and supply by resident providers.

Tables 4a and 4b: presenting the monetary and non-monetary components of tourism consumption by products and forms of tourism (gross valuation and net valuation) are in direct line with the previous ones, and provide a necessary link between supply and consumption. They might be compiled partially, covering only one or more of the forms of tourism.
**Table 5:** present Production accounts of the tourism industries. The degree of detailed breakdown of the productive activities within the tourism industries and outside, and of outputs, inputs and components of value added, will determine the quality of estimation of Tourism Value Added (TVA) and of Tourism GDP. This table is completely independent of the compilation of tourism consumption and of the coverages that can be achieved for this variable. It has a high degree of priority in all cases, and special attention should be given to this table, particularly due to the fact that, in many cases, tourism has been mainly considered from a demand point of view.

**Table 6:** present Supply of services and tourism consumption of services by products. This table is at the center of the TSA, and without this compilation, even with partial data, there is no Tourism Satellite Account. The characteristic aggregates can only be completed when internal tourism consumption covers all visitor expenditure, monetary and non-monetary, of all visitors and for all forms of tourism. Nevertheless, even a partial coverage provides interesting and useful information.

**Tables 7, 8 and 9:** present Employment in the tourism industries, Tourism gross fixed capital formation, and Tourism collective consumption, respectively. The priority assigned to these tables will depend on the specific circumstances of every country.

**Table 10:** “Non-monetary indicators” presents a few non-monetary indicators which might be of some use for the interpretation of the monetary information used.

1.31 The TSA has been presented in previous Chapters (I to IV), consistent with the principles and definitions of SNA93 and conditioned as much by the basic statistical information now available, or that will become available in the near future, as by the experience of the National Statistical Offices in the area of National Accounts. We have used the expression “proposed TSA” for this case.

1.32 On the contrary, chapter V, “Further developments”, covers a large range of possible extensions of the proposed TSA. For most countries, these developments may have priority once the results of the preparation of the whole set of tables, or part of the tables, are known. In any case, most of these developments are based on the conceptual framework itself; a different situation arises when extensions require the development of an institutional approach.

1.33 All the developments that are mentioned have a precise reference in SNA93. Nevertheless, not all the National Statistical Offices of the various countries necessarily have experience of these developments. Consequently, it will be necessary, in due course, to develop agreed methodologies for international comparability of the obtained from this kind of further work.

1.34 Finally, the document ends with the inclusion of 5 Annexes, a Glossary of the main concepts and aggregates used in different chapters, and a selected Bibliography.
II. The demand approach: basic concepts and definitions

2.1 The fundamental structure of the TSA is based on the general balance between the supply and the demand of goods and services within an economy. The idea behind the construction of the TSA is to analyze in detail all the components of the demand of goods and services which might be associated to tourism within an economy, and to observe how operates the match with the supply of such goods and services within the same compiling economy.

2.2 In order to achieve this goal, it is necessary first to define clearly what is a visitor, because he is at the center of the activity of tourism, and who makes it to exist. Then the different components of tourism demand shall be presented.

A. Visitors

2.3 “Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.”¹ The “persons” referred to are termed “visitors”: “any person, who travels to a place, outside his/her usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the place visited”.²

2.4 Much and even most of the economic consequences of tourism in a country occur while visitors are traveling. However, the TSA includes consumption activity by potential visitors in anticipation of trips (such as purchases of camping luggage or travel insurance), or by visitors after they have returned home (such as having film developed for pictures taken during the trip). Vacation homes and other secondary residences may also generate economic activity of interest in the TSA that occurs in the absence of visitors traveling.

2.5 The term “activity” is used herein as the general meaning of the word (e.g., a specified pursuit in which a person partakes) and not as an abbreviated term for “productive economic activity” as it is used for instance in I.S.I.C. ³. The “activities of visitors” refer to the pursuits of persons who qualify as visitors. It follows that the term, “tourism”, cannot be defined by itself, independently from persons who are the actors of the phenomenon.

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¹ UN/WTO Recommendations on Tourism Statistics, ¶9
² UN/WTO Recommendations on Tourism Statistics, ¶20
³ I.S.I.C.: International Standard Industrial Classification of all economic activities, a United Nations recommendation regarding the classification of productive economic activities. The last issue of these recommendations is indexed as Series M, No. 4, Rev 3, and was released in 1990
A.1. The usual environment

2.6 The usual environment required to distinguish a visitor from all other travelers within a location is difficult to define in precise terms. Generally speaking, it corresponds to the geographical boundaries within which an individual displaces himself/herself within his/her regular routine of life, except for leisure and recreation (second homes and vacation homes, although regularly visited, are usually not considered part of the usual environment). For some, relatively inactive people, this usual environment might mean an area only some few blocks away from the place where they live. For others who commute or conduct other day-to-day activities over large distances, it may cover an extensive area. National statistical organizations might establish the boundaries of the usual environment by referring to distances traveled, time spent away from a person’s home, or the formal boundaries of localities or other administrative territories. 4

2.7 It is important to note that if the place visited is not part of the usual environment of a person (“the visitor”), then that person is not considered one of the usual “resident consumers” in the place. By definition, his/her visit to the place will generate additional consumption expenditure in this place over and above that generated by the resident consumers. These additional consumption expenditure provide the basis for the economic activity generated by tourism and, hence, the foundation of the Tourism Satellite Account.

A.1.1 Usual environment and residence

2.8 The concepts of usual environment defined by the United Nations Statistical Commission and the WTO and of residence in SNA93 are not synonymous (see Annex 1, Section C). The place where an individual works is clearly part of his/her usual environment but is not necessarily his/her place of residence. Commuting to work according to the UN/WTO definition is traveling but is not considered as a tourism activity. 5

2.9 If an individual leaves his/her place of residence, or “center of economic interest” 6, with the intention of establishing residence in a new place, s/he should not be considered as a visitor to this new place, even if s/he has not yet resided there for a year. This new place becomes part of his/her new usual environment.

2.10 On the other hand, if an individual has been present in a place for more than one year, this place is considered as part of his/her usual environment. Thus, s/he cannot be considered as a visitor to this place, although s/he might not be a resident of this place in the economic or legal sense of the term. In fact, in statistics on population, residency is a characteristic attached to households, while the usual environment is a characteristic the UN/WTO has attached to individuals, each of which is part of a unique household. Two individuals who

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4 UN/WTO Recommendations on Tourism Statistics, ¶22
5 UN/WTO Recommendations on Tourism Statistics, ¶22
6 SNA93, ¶4.15
are part of the same household necessarily have the same residence but may have different usual environments.

2.11 Students traveling abroad, even for more than a year, but still depending economically on their families, comprise part of their family's household. Consequently, they remain residents of the place where this household has its center of economic interest, but their usual environment is also their university, and the place where they live. Sick persons staying in a hospital or similar facility some distance from their original residence for more than a year are still part of the household from which they come if there continues to be economic ties with that household, even though their usual environment now includes the hospital where they are staying. The same can be said of persons serving a long-term prison sentences. All these classes of persons are not visitors to the places where they now reside. But if other members of their original households travel to see them, then these persons are visitors to these places.

A.1.2 Usual environment and second homes

2.12 For each household, there will be a dwelling that shall be considered statistically as the primary home and residence of this household. All other dwellings (rented or owner-occupied) attached to the household will be considered second homes.

2.13 To be considered as second homes these dwellings may have one or more of the following characteristics:

   a. it is the usual environment of one or more of the members of the household but is not the primary residence of the household;
   b. it is a vacation home, that is, it is visited infrequently or not by one or more of the members of the household for recreation, vacation, or other activities different from the exercise of an activity remunerated within this place;
   c. it is visited occasionally by one or more members of the household for work reasons.

2.14 By definition, any member of the household who visits a second home that is not his/her usual environment is considered a visitor to that second home as long as the visit is not for the purpose of performing a productive activity in the place visited.

2.15 A second home might be located either in the same national economy as the main home, or in a different national economy. The treatment of such visits is discussed below.
A.2. Duration of the stay

2.16 For a traveler to be considered engaged in tourism activity, his/her stay in any place visited must be less than a year. As has been explained above, when a visitor stays in a place for longer than a year, this place becomes part of his/her new usual environment and s/he ceases to be considered a visitor to it. On the other hand, for those attending short term courses or stays (summer courses, summer camps, medical treatment of short duration..) they are visitors to the location visited.

2.17 The UN/WTO definitions distinguish two classes of visitors: tourists, who must stay one or more nights in the place visited, and same-day visitors, comprising visitors who visit a place for less than one night.  

2.18 Most same-day visitors are usually domestic visitors. But there are also cases of international same-day visitors. For instance, airline and cruise ship crews and passengers disembarking in a country for less than a day may pass through immigration controls and be counted as international same-day visitors. For some countries, such as small island nations, consumption by same-day visitors from cruise ships may constitute an important volume of tourism expenditure.

2.19 Finally, visitors legally “in transit” because they do not pass through the country’s immigration controls have all the characteristics of visitors so there is no theoretical ground to exclude them. However, since they do not officially enter the country, they do not appear among the country’s visitor statistics. Nevertheless, they may constitute a significant visitor market for the country in terms of goods and services sold. Recognizing this fact, some airports have turned their transit zones into shopping malls. Shops operating in these zones are part of the economic territory of the country in which they are located. Although it might be difficult to identify statistically these transit passengers, if their contribution to tourism internal consumption is relevant, suitable statistical procedures could be used for its measurement.

A.3. Purpose of the visit

2.20 Colloquially, the term "tourist" refers to those individuals who travel for leisure, recreation and holidays. Nevertheless, the definition of a tourist used within TSA is much broader and includes all individuals who travel or visit a place for one night or more for a purpose other than “the exercise of an activity remunerated from within the place visited”. This qualification follows the concept of usual environment as indicating the area where a person usually lives and works. Under the UN/WTO visitor definitions and TSA conventions, a business or commercial traveler may or may not be a tourist.

2.21 Tourists and same-day visitors may be classified according to the main purpose of their visit. The categories recommended by WTO are the following:

7 UN/WTO Recommendations on Tourism Statistics, ¶¶28-40
8 UN/WTO Recommendations on Tourism Statistics, ¶20
a. leisure, recreation and holidays;
b. visiting friends and relatives;
c. business and professional (include studying);
d. health treatment;
e. religion, pilgrimages;
f. other (aircraft and ship crews on public carriers, transit and other travelers, etc.). 9

A.4. Classification of visitors

2.22 Countries might wish to further disaggregate and typify their markets according to additional characteristics of the visitors and their trips.

2.23 Two categories are created:

a. international visitors, whose country of residence is different from the country visited; these international visitors also include nationals residing permanently abroad, who may represent an important segment of the market with special characteristics;
b. domestic visitors, whose country of residence is the country visited; they can be nationals or foreigners.

2.24 It should be noted that, because the residence attached to a visitor might differ from his usual environment, not all international travelers need to have crossed the geographic border of a country in this capacity in order to be considered as visitors. This is the case for military personnel on active duty assigned to a base in other than their residence country on active duty, and diplomats and their entourages. 10 The embassy or consulate of one country is considered as constituting a physical and legal extension of that country regardless of where it is located. Consequently, when a diplomat or his family or staff travel to a place within his/her country of posting, s/he is considered an international visitor upon that occasion, and not when s/he enters the host country.

2.25 Such distinctions, crucial for consistent treatment of visitor activities within the conventions of tourism statistics and national accounting, may nevertheless produce a discrepancy between border counts of international visitors and the number of such individuals actually participating in the national economy as visitors.

2.26 Extending these forms of tourism to recognize the difference between tourists and same-day visitors produces the following hybrid classifications:

a. international overnight visitors
b. international same-day visitors
c. domestic overnight visitors
d. domestic same-day visitors

9 UN/WTO Recommendations on Tourism Statistics, ¶¶44-45
10 SNA93, ¶14.19
2.27 The proposed TSA will restrict its scope to the effects of tourism within, to or from a compiling economy. The implications of the increase in the general flows of visitors all over the world on a given economy will not be considered. For instance, the direct transportation of a visitor from country A to country B by an airline of country C will not be recorded in the tourism statistics of country C because the visitor has not entered the economic territory of country C.

B. Tourism consumption

2.28 In the same way as the visitor is at the center of tourism activity, the consumption of visitor is at the center of the economic measurement of tourism. The visitor is viewed as a particular type of consumption unit, which only distinguishes from other households by the fact that he/she is outside his/her usual environment or intends to promptly leave it: but otherwise, he/she is an ordinary consumer, so that the characteristics of the consumption activity attached to household consumption in National Accounts should also be encountered for visitors.

2.29 In the case of households, SNA93 considers two concepts of consumption: household final consumption expenditure and household actual final consumption. These concepts differ by the social transfers in kind received from General Government and Non Profit Institutions Serving Households (NPISHs). Both of these concepts are applicable to visitors and immediately transposable.

2.30 Household final consumption expenditure includes all consumption expenditure made by households from their own cash resources (including all income in cash received), as well as all the counterpart of income in kind (except social transfers in kind) that household might have received, such as remuneration in kind and other transfers in kind. It also includes the value of all consumption of output for own final use, such as those provided by second homes on own account used for tourism purposes or what it can have received through barter transactions 11.

2.31 Household actual final consumption adds to household final consumption expenditure the social transfers in kind received from General Government and NPISHs. These refer to social security benefits and social assistance benefits received in kind, and to the individual non market goods and services provided by government and NPISHs. 12

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11 This is explained in detail in Annex 1.Section F
12 The nature of social transfers in kind is explained in Annex 1.Section F
B.1. The definition of tourism consumption

2.32 If we follow in the same line, in which tourism consumption goes beyond the expenditure restricted to the out of pocket expenses of visitors, then some consumption that National Accounts do not assign to households due to constraints of overall consistency find legitimately their place within Tourism Consumption: this observation refers to some employee’s and other travel costs paid by producing units that National Accounts classify as intermediate consumption of these producing units, arguing the benefit these producers receive from these expenses. For the providers of these goods and services as well as for the visitors themselves, regardless of which institutional unit registers the cost, the expenditure plays a similar role, so that for the sake of tourism analysis, these expenses are assigned to tourism consumption, and generally called “business expenses”.

2.33 These considerations give rise to the following basic definition in the TSA.

2.34 **Tourism consumption**: “the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination”.

2.35 All acquisition of goods and services by or on behalf of a visitor that SNA93 would consider as part of household actual consumption is included within the boundary of tourism consumption. No consumption good or service is excluded by its nature. If a product is acquired or used by a visitor on a trip or trips, or in preparation for a trip, it is included.

2.36 The notion of consumption expenditure made on behalf of a visitor is broader than the one used in National Accounts as it also encompasses travel related expenditure made by producing units for the benefit of their employees or others that SNA93 would consider as intermediate consumption (business expenses).

2.37 There are payments related to a trip that visitors might make which are excluded from tourism consumption by SNA93 conventions:

   a. Those which do not correspond to the purchase of consumption goods and services, such as:

      - the payment of taxes and duties not levied on products;
      - the payment of interests (net of FISIM corresponding to the visitor), including those on expenditure made during and for trips;
      - the purchase of financial and of non financial assets, including land, works of arts and other valuables;

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13 It should be observed that this definition is formally the same as the one adopted within the UN/WTO Recommendations on Tourism Statistics, ¶85. Nevertheless, there are some important differences in the detailed description of the content

14 Financial Intermediation Services Indirectly Measured (FISIM) refer to those services provided by financial intermediaries for which they do not charge explicitly, but only implicitly through the difference in interest rates charged to borrowers and to lenders. SNA93 recommends to allocate the total output of this activity as consumption among the various recipients or users of the services for which non explicit charges are made: this can be the case of visitors. See SNA93 ¶¶ 6.124 to 6.131
• all transfer payments in cash such as donations to charities or to other individuals and which do not correspond to the payment for goods or services,

b. Any purchases on a trip for commercial purposes, that is, for resale or use in a production process or on behalf of his/her employer by a visitor on a business trip (these are intermediate consumption or gross fixed capital formation).

2.38 Consumer durables, such as automobiles and camping equipment, that are purchased during trips are included within tourism consumption. Those, of significant unit value which are purchased prior to a trip and used on multiple trips as well as in local conditions are particular cases and will be given special treatment within the context of the extension of the TSA 15.

2.39 In the case of a motor vehicle or other consumer durable item which is purchased on a trip but then sold at the conclusion of the trip, the value to be considered within tourism consumption is the difference between the original purchase price and the price received upon re-sale by the visitor; no allocation is made for costs of use.

2.40 As a conclusion, tourism consumption will include:

• all consumption expenditure made during trips regardless of the nature of the good and service as long it is a consumption good and service;
• all consumption expenditure in services (inoculation, passports, medical control..) and small items of personal use or to be brought along as gift purchased before a trip, as long as its usage is clearly directed to a trip;
• all consumption expenditure in goods and services after the trip and clearly related to it.

B.2. The venue of tourism consumption

2.41 It should be clearly understood that while tourism consumption always relates to persons traveling or intending to travel out of their usual environment, the acquisition of goods and services may well occur within the usual environment of the visitor, whether due to the nature of the good or service purchased (for instance an airway ticket has to be acquired in the usual environment, even if it is considered as consumed on a trip..) or because they occur before or after the trip and are clearly related to the trip itself.

2.42 As a consequence, determining the venue of tourism consumption from the route or destination of the visitor’s trip is not straightforward. We cannot with confidence conclude that all outbound international visitor expenditure occurs in countries other than the one of residence. Yet it is important to locate these geographically in order to analyze their impact on a compiling economy. Consequently, the following aggregates are distinguished, based on the forms of tourism. 16

15 TSA ¶ 5.27 to ¶ 5.37
16 UN/WTO Recommendations on Tourism Statistics, ¶¶11-14
2.43 **Domestic tourism consumption** is the consumption incurred as a direct result of resident visitors traveling within their country of residence. These purchases might include goods or even services produced abroad or by non-residents but sold within the domestic economy (imported goods and services).

2.44 **Outbound tourism consumption** is the consumption incurred as a direct result of residents traveling to countries other than the one in which they reside. While most of this consumption happens outside the compiling economy, such purchases might include goods and services produced in the visitor’s country of residence and acquired for the trip. Purchases of international transportation are included in their entirety regardless of the residence of the carrier.

2.45 **Inbound tourism consumption** is the consumption incurred as a direct result of non-resident visitors traveling to and within the compiling economy. In this case, it is limited to purchases from providers resident of the compiling economy, following the recommendations of SNA93 which limits its focus to transactions where one at least of the transactors is a resident of the compiling economy. The goods purchased in the compiling economy may also have been imported.

2.46 **Internal tourism consumption** comprises all consumption expenditure of visitors both resident and non-resident visiting the compiling economy. It is the sum of domestic tourism consumption and inbound tourism consumption. It might include goods and services imported into the country and domestically sold to visitors.

\[
\text{Internal tourism consumption} = \text{Domestic tourism consumption} + \text{Inbound tourism consumption}
\]

2.47 **Tourism internal consumption** covers all tourism consumption expenditure that takes place within the compiling economy. It includes all domestic tourism consumption, inbound tourism consumption, and the part of outbound tourism consumption which corresponds to goods and services provided by residents. It might include goods and services imported into the economy and domestically sold to visitors. It differs from internal tourism consumption by the part of outbound tourism consumption which corresponds to goods and services provided by residents. When measuring the size of tourism consumption, it is the most relevant indicator, as it takes into consideration the effects of all forms of tourism. As a consequence, it will be at the center of the measurement of the size of tourism within a consumption approach.

\[
\text{Tourism internal consumption} = \text{Internal tourism consumption} + \text{Domestic part of outbound tourism consumption}
\]
2.48 **National tourism consumption** comprises all tourism consumption by resident visitors regardless of where it occurs. It includes all domestic tourism consumption and outbound tourism consumption by residents of the compiling economy. These purchases may include nationally produced goods and services, imported goods purchased from resident providers, and goods and services purchased from non-resident providers, such as in countries visited.

\[
\text{National tourism consumption} = \text{Domestic tourism consumption} + \text{Outbound tourism consumption}
\]

2.49 **International tourism consumption** comprises inbound tourism consumption and outbound tourism consumption.

\[
\text{International tourism consumption} = \text{Inbound tourism consumption} + \text{Outbound tourism consumption}
\]

**B.3. Components of tourism consumption**

2.50 As the above discussion indicates, the different aggregates of tourism consumption goes far beyond visitors’ purchases on a trip. It encompasses these as well as all expenditures on goods and services by other institutional units on behalf of visitors. If cash or financial assets are transferred to the visitor to finance his/her trip, the purchases funded by these are included in visitor consumption. Along with this are all forms of transfers in kind and other transactions benefiting visitors where it is not cash or financial assets which is provided to the visitors but the goods and services themselves 18. Following the definition of household actual final consumption in SNA93, tourism consumption can be represented schematically as in Figure 2.1.

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18 This is explained in detail in Annex 1
Monetary transactions is the main component of tourism consumption. Monetary transactions correspond with visitors expenditure which is the term traditionally used in the analysis of tourism economy; it includes the expenditure on goods and services consumed by the visitors for and during his/her trips and stay at destination.

(2) Includes exclusively the expenditures in transportation and accommodation of employees on business trips and those made on behalf of guests outside their usual environment.

(3) The area shaded in gray represents the part of tourism consumption conceptually consistent with that of household actual consumption.
2.51 The identification of the unit making the tourism consumption expenditure is important because it may help to control the effective coverage of consumption and identify the weaknesses of the actual coverage. It may also provide guidance for the establishment of potential sources of information of the different components of tourism total consumption.

a. The visitor him/herself. This is undoubtedly the most important unit within those participating to tourism consumption;

b. A resident household different from that of the visitor. Tourism consumption includes gifts made by a household to a visitor, either as goods and services paid for by a third party for their benefit (e.g., an invitation to a restaurant), or housing services provided in a second home by a resident household. In some cases, and provided the adjustment is feasible, the magnitudes significant, and the variables already included in the aggregates of a country’s National Accounts and Balance of Payments, all increases in consumption expenditure by households for the benefit of visitors from other households could also be included. Eligible items include a household’s increase in retail food store purchases to feed visitors and admission purchased for visitors at theaters, museums and other attractions.

Within the conceptual framework of SNA93, these gifts would appear within tourism final consumption, with a counterpart value as transfers in kind. If the visitor is a resident of the same economy as the household providing the gift, it is a transfer in kind between two households and the compilers of national Accounts may decide not to measure it. When the visitor is a non-resident, however, the counterpart flow is a transfer in kind between a resident household and a non-resident visitor and would appear in the economy’s Balance of Payments and Rest of the World account as a transfer in kind from a resident household to a non-resident household.

c. A producing unit acting in this capacity. Businesses and other producing units (general government and Non Profit Institutions Serving Households) pay the travel expenses of their employees on business trips, and in some cases of some of their clients, suppliers, or customers, who may be residents or non-residents of the compiling economy. These expenses should be included within the measurement of tourism consumption. For National Accounts, the expenses of transportation and accommodation services of employees on business trips are considered as part of the intermediate consumption of the employer, because it is considered that the direct beneficiary of the travel is the business itself, and these expenses are very clearly directly induced and inherent to the trip itself. Businesses also pay other expenses that benefit the traveling employee, rather than the business, such as food, laundry, and personal telephone calls. SNA93 assumes that s/he would have had to make similar expenditures at home, and accounts this as employee remuneration in kind, and the resulting consumption expenditure within the final consumption expenditure of the employee.

d. General Government and Non Profit Institutions Serving Households (NPISHs): Such institutional units may finance, totally or in part, trips in
order for individuals to obtain medical treatment, or for educational or recreational purposes, outside the individuals’ usual environment, as SNA93 social transfers in kind. These institutions may also finance individual non-market services provided to the visitors free of charge or at prices that are not economically significant, such as admissions to museums, recreational facilities or national parks. SNA93 initially classifies this expenditure within the final consumption expenditure of the payer (General Government or NPISH) as individual consumption expenditure, and nothing appears in the accounts of the beneficiary. However, in a second stage, this consumption is transferred to the households, via social transfers in kind, and the value is included within the actual final consumption of households. Only the excess of the production cost of such a service with respect to the amount paid by the visitor, if any, should be included in the value of these transfers, as this amount paid is already included within the tourism consumption expenditure of the visitor.

e. The Rest of the World. When a resident of a compiling economy travels to another country and stays at the home of a friend or relative at no cost to the visitor, this expenditure is assigned to the visitor through a transfer in kind.

B.4. Services provided within the household

2.52 The concept of production used in SNA93 does not include any services provided by a household to its own members, with only two exceptions: the provision of services by owner-occupied dwellings, and the production of domestic services produced by employing paid staff. The TSA adopts these conventions and does not consider as output nor as consumption a household’s provision of transportation services to itself (e.g., driving the family to a distant destination), or the service which derives from the preparation of meals (e.g., preparing and serving meals for the family in self-catering lodging on a trip).

2.53 Regarding services rendered by one household to the visiting members of another household free of charge, in accordance with SNA93 principles only the provision of private accommodation free of charge is included in tourism consumption.

B.5. Housing services on own account or free of charge

B.5.1 Housing services provided by sharing the same dwelling

2.54 The housing services provided by a dwelling usually depend only on the qualities inherent to the dwelling itself (location, environment, type of construction, number of rooms, fixtures, physical condition, etc.) and not on its occupants. Each of the persons living within this dwelling is deemed to receive a service, the value of which is inversely proportional to the number of persons living there. This is similar to the common practice among public welfare officials of dividing the number of square meters of living space in a dwelling...
by the number of residents and using this as an important indicator of household well being.

2.55 Similarly, individuals sharing a rented apartment (e.g., students) but not constituting a unique expenditure unit (that is, together they do not comprise a household) usually pro-rate the total rent among themselves, acknowledging that the housing service received by each of them is inversely proportional to their number. When an additional student joins the group in residence, the rent pro-rating is adjusted to recognize the additional lodger.

2.56 At least implicitly, the same occurs when a guest stays in a private dwelling unit occupied by a single lessee. The total value of the rent does not change, but the value of the (imputed) housing services received by each of those residing in the unit is altered. If payments for rental of the dwelling unit are effectively made to a third party, the visitor can be considered as a “sublessee”. Then, the cost of housing for the main tenant is equal to the difference between the rent s/he pays and the rent s/he receives through the sublease.

2.57 Exactly the same situation occurs if the dwelling is owner-occupied. If the guest leases part of the dwelling, the value of housing services received by the owner on his/her own account is equal to the difference between the total imputed value of the housing services of the dwelling and the rent received by the owner from the lessee.

2.58 If the guest is not charged for the housing services, then there is an implicit transfer of value of these services from the owner or usual residents to the visitor, equal to the value of sublease rent payments if such were charged, or to the sum of the changes in the housing services now received by the original residents of the dwelling.

2.59 Among households eager to travel to distant destinations inexpensively, there has been an increase in the “exchange” of dwellings over holiday or vacation periods. Households A and B, living in different cities (and perhaps different countries), agree to exchange dwellings during a certain period of time. Conceptually, for each of the dwellings, there is no increase in production of housing services. However, for both dwellings there is now a corresponding tourism consumption where there was none before for either. This a barter transaction.

2.60 It is to be observed that, in all cases, the presence of a visitor within the main residence of a household does not generate an increase in production, but only a change in consumption from local or non-tourism to tourism consumption. In practice, it may be difficult to measure such additions to tourism consumption.
B.5.2 Organized in-home accommodation

2.61 The cases that have been analyzed above should be differentiated from the case of “bed and breakfast” lodging or any other type of organized in-home accommodation. In these cases, there are special rooms reserved for the paying guests, which are considered conceptually as separate dwelling units, even if many services are shared with the owning household. These rooms constitute market accommodations, and accommodation services are produced only when these rooms are let to paying guests. This has no effect or interaction with the housing services received by the owner or the principal household from this dwelling.

B.5.3 Second homes

2.62 A household might own more than one dwelling unit. The principal dwelling unit should, according to SNA93, be the one that corresponds to the center of economic interest of the household. But it may not necessarily be the usual environment of all the members of that household all the time. Some household members might reside temporarily, or even on a permanent basis, in a second home and not in the principal one. Examples are the child of a householder staying at a second home at a resort destination during high season in order to work and earn income, or a student staying in an apartment purchased by his/her parents for his/her use near a university. On the other hand, a second home belonging to the household might not be the usual environment of any of the members of the household.

2.63 When any visitor (even one belonging to the household but for whom the dwelling visited is not his/her usual environment) stays in one of the dwellings owned by a household, tourism consumption occurs, and correspondingly, there is a decrease of non-tourism consumption of equal value for this dwelling, because, as we have seen, the dwelling itself is generating a service.

2.64 Much more common is the case where a second home is not the usual environment of any of the members of the owning household. Instead, household members visit the second home occasionally and for short periods of time. Whether it is inhabited or not, according to SNA93 principles this dwelling is generating housing services for the household. In such cases, we have a rare occurrence in tourism consumption where the consumption occurs in the absence of a visitor.

2.65 In order to estimate this tourism consumption, it is necessary for the compiling economy to determine which of its existing housing units are second homes used for tourism purposes by the household owning them. If such dwelling units are rented to visitors from outside the household, then they are treated as organized accommodation just as hotels are.

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19 In many countries, such accommodations are regulated and may not be modified without authorization of the regulating agency
20 SNA93, ¶9.58, 10.69-70
2.66  In the particular case of second homes located within the compiling economy but owned by non-residents, the treatment is somewhat more complex, but broadly similar, as it must follow the rules established by SNA93 21.

2.67  The owners of a second home may purchase goods and services in order to perform “do-it-yourself” repairs and maintenance on that home, such as decoration, small repairs and similar activities which are often carried out by tenants as well as owners. Such relatively small expenditures are included in tourism consumption 22. It is also the case of consumer durables to be used in the second home.

2.68  If, on the other hand, the owners perform “more substantial repairs, such as plastering walls or repairing roofs”, these are accounted a secondary activity of the owners in their capacity as producers of housing services, and the purchases of materials for repairs are intermediate expenditure incurred in the production of housing services.” As such, they should not be accounted for in tourism consumption because they do not constitute for the buyer final consumption expenditure but intermediate consumption expenditure.

2.69  Major renovations or extensions to dwellings are fixed capital formation and recorded separately within tourism gross fixed capital formation. 23

B.6. Services provided by travel agencies and tour operators

2.70  The most recent revision of The United Nations’ Central Product Classification (CPC Rev. 1) proposes a new subdivision of the category “travel agency and tour operator services” into “travel agency services, tour operator services, and tourist information services”. 24

2.71  A variety of services associated with traveling such as transportation (including car rentals), accommodations and package tours on a fee or a contract basis, are sold to the public through travel agencies. Tour operators, sometimes called “tour packagers”, are businesses that combine two or more travel services (e.g., transportation, accommodation, meals, entertainment, sightseeing) and sell them through travel agencies or directly to final consumers for a single price.

21 See Annex 1, Section H
22 This follows the treatment of such expenditure on dwellings described in SNA93, ¶¶6.26-27
23 SNA93, ¶6.27
24 CPC Rev. 1. The Central Product Classification is a United Nations classification of goods and services. Its use is recommended for National Accounts
B.6.1 Travel agency services

2.72 In many cases, the value of travel agency services is not invoiced explicitly or separately to the (apparent) user of the service, that is, the visitor. In some cases, these travel agencies buy tickets at a discounted price from airlines (or discounters) and sell them to their customers at a marked-up price, earning income from the difference between the price they pay and the price they receive. In other cases, the visitor pays for airline transportation or some other tourism product at a set price established by the producer of the service. The travel agent earns as income a commission on the sale established by the provider of the service: the service of the travel agent is thus purchased by the provider of the service which this travel agent sells to the visitor.

2.73 In terms of SNA93 principles, the services of travel agents are of three kinds:

a. Those *sold directly to the visitors* through a specific invoice to the visitor for the services provided;

b. *Retail trade services* when trade agents remunerate themselves explicitly through a retail trade operation (buying from the producers of the services (for instance airlines) or wholesale traders and selling back the product to the traveler;

c. Those sold to the providers of tourism services when they operate as their agents, similar in operation to *retail trade services on a fee or contract basis*.

2.74 For the sake of the TSA and the analysis of tourism consumption, we shall consider that the services of travel agencies as such are part of tourism consumption, as it is the case in the first situation that has been identified. For all cases, the total value paid by visitors for a tourism service purchased through a travel agency will be split in two parts: one corresponding to the value of the travel agency service purchased within the same transaction (or, if we are in the first case, as a separately invoiced transaction), estimated through the net value effectively received by the travel agency as income, and the other corresponding to the net value of the tourism service purchased, from which payments made to (or amounts retained by) travel agencies would have been deducted.

B.6.2 Tour operator services

2.75 Tour operators usually operate in their own name and on their own account. The operator initially acquires from the tourism producers different services, that are combined and offered as a single, complex product to customers either directly or through travel agencies. This product usually embodies the services of transportation and one or more of accommodation, meals, sightseeing, entertainment, and other services visitors require, as well as the service of the tour operator himself. In most cases, the visitor is not aware of the distribution of the expenses among the components, and has no direct contact

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25 Apparent, in the sense that, in National Accounts (and thus in the TSA), the user of a consumption good of service must have acquired it through final consumption expenditure or social transfers in kind
with the providers of the services prior to the trip. Oftentimes, the tour operator puts himself at risk with the providers of the services included within the package, and must pay them penalty fees or more if the packages do not sell.

2.76 The package tour might be seen to comprise a completely new, if synthetic, tourism product. An additional difficulty for the analysis is that a package for international travel might include services provided by producers resident in the compiling economy, as well as services provided by non residents. For example, a visitor may purchase a package tour from a resident tour operator that includes transportation on a foreign air carrier and accommodation in another country.

2.77 The components of a package tour are bought by the packager, initially in his own name, and are not, as such, part of tourism consumption because they are not purchased as individual products. In this respect, the packager is not a travel retailer, as is the case of the travel agencies. Formally, it is the package that is consumed by visitors, not its components. The current CPC recognizes package tours as distinct products. Following this approach, SNA93 principles require a so-called “gross approach” to valuing package tours.

2.78 However, as explained in chapter III, compilation of a TSA requires a “net approach” to valuing package tours, that is, to decompose them into their constituent components, for the purposes of computing Tourism Value Added and Tourism GDP.

2.79 As in the case of travel agencies, an additional difficulty emerges when the tour packager is resident of one country and the suppliers of the services the package comprises are residents of some other country(ies). Following the principles of SNA93 and of Balance of Payments estimation, a package tour as an output belongs to the output of the country of residence of the tour operator, regardless of the route or destination of the package. If the packager is a resident of the compiling economy, the associated output is part of national production, regardless of who purchases it and the destination of the tours. If the packager is not a resident of the compiling economy, then the package tour as an output is not part of national output even if purchased by a resident of the compiling economy.
C. Tourism collective consumption

2.80 Non market collective services meet all of the following conditions 26:

a. they can be delivered simultaneously to every member of the community or of particular sections of the community, such as those in a particular region or a locality;
b. the use of such services is usually passive and does not require the explicit agreement or active participation of all the individuals concerned;
c. the provision of a collective service to one individual does not reduce the amount available to others in the same community or section of the community; i.e., there is no rivalry in acquisition.

2.81 In the case of tourism, collective services refer to the provision of legislation and regulation regarding tourism, to the promotion of tourism by a government unit, to the maintenance of order and security, and to the maintenance of public space to name a few.

2.82 Some have proposed including the consumption of such services within tourism consumption, with the argument that mostly visitors or productive activities principally serving visitors benefit from this expenditure. This is difficult to prove, because there are also benefits that may be derived from some of those expenditure by non-visitors and productive activities not serving visitors. As there is no way of measuring who benefits from such services and how much is the value to be assigned to each beneficiary, assignment of the value of collective services to the different groups would be arbitrary. And since there is no rivalry in acquisition, there is no reason to assign less to each current beneficiary when additional beneficiaries are identified. As a consequence, the method used to assign the value to the beneficiaries would not follow a proportional pattern. As a result, SNA93 does not permit assignment of the value of collective services to household consumption, and the TSA observes this restriction by not assigning such values to tourism consumption.

2.83 Nevertheless, since it may be useful for some purposes to measure government expenditure on certain non market collective services used by visitors and the productive activities that serve them, they are included within a broader aggregate, “Tourism demand”.

26 SNA93, ¶9.83
D. **Tourism gross fixed capital formation**

2.84 The analysis of gross fixed capital formation, and more generally the net acquisition of tangible non-financial assets, is particularly important for tourism because the existence of a basic infrastructure in terms of transportation, accommodation, recreation, centers of interest, etc., determines to a large extent visitor flows. Nevertheless, it is difficult to identify capital goods the acquisition or production of which are driven by the needs of visitors.

2.85 Once identified such gross fixed capital formation items which have some type of relationship to supply to tourism, to establish the intensity of their use involved in that supply (which could provide the information in order to establish the tourism share of such item) presents still more difficulties. It might vary over the years, within a year’s span, and present high discrepancies with relation to the intended tourism use factor, which might have been in the decision process for its acquisition.

2.86 Those gross fixed capital formation items which have some type of relationship to tourism can roughly be categorized as follows:

a. **Tourism specific produced fixed assets**, that is assets expressly designed to produce tourism goods and services. If tourism did not exist, such assets would be severely impacted in terms of their utility and value. By their nature or design, they could not easily be converted to non-tourism applications. Such assets are identified within the Tourism Product Code, and classified in broad categories, consistent with the classification of tangible produced fixed assets of SNA93; such include railways passenger coaches, or hotel installations.

b. **Investment by the tourism industries in non tourism specific tangible fixed assets**, that is, different from those identified in (a) above; such include hotel computer systems and laundry facilities. They are considered tourism-related, not due to the nature of the goods, but due to the use which is made of them by a tourism characteristic producer.

c. **Infrastructure** put in place principally by public authorities to facilitate tourism at a specific moment in time or which in fact facilitates tourism, although this has not necessarily been the primary objective. In some cases, they are needed within the production process of particular tourism services although they are not necessarily economically expressed as part of this production process. There is no possibility of using an aircraft without an airport; no road transportation is possible without roads, a visitor will not stay in a location if there is no basic infrastructure in terms of the provision of basic public services: water, sewage, electricity, telecommunications, health services, etc. Different cases are possible:
• The asset might have been produced or acquired, with the purpose of being used exclusively or principally by visitors, (development of areas specific to tourism activities);

• In the moment in which the investment was made and decided, it might have been done with the view of its exclusive or principal use by visitors in a given moment in time (case of investments for a special event such as the Olympic games, an important international meeting, etc.), but a later non tourism use is also considered and taken into consideration in the decision making process for this investment;

• It might be directed generally to all activities, and besides, favor tourism (case of an airport, open to all type of traffic, case of a non toll road, case of a hospital in an area visited by visitors).

2.87 **Non-produced assets** such as land and certain intangibles such as brands acquired by tourism industries also facilitate productive activity and might represent an important component of non financial investment. Non-produced assets are non-financial assets that have come into existence in ways other than through the processes of production 27: These assets are not conceptually part of Gross Fixed Capital Formation within the framework of National Accounts, and a different, separate place will be given to record transactions on such assets, within the sectoral analysis introduced as an extension of the TSA. The same situation occurs with titles in time sharing schemes: the title holder has no ownership right on the accommodation object of the timesharing contract, but only a right of use, limited in time. So, these titles are not considered within tourism gross fixed capital formation, whereas the units of accommodation, object of these contracts are part of the tangible non financial assets and their net acquisition by any transactor is part of tourism gross fixed capital formation.

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27 SNA93, ¶10.6
III. The supply approach: basic concepts and definitions

A. Goods and services specific to tourism

3.1 According to the definition that has been adopted, tourism consumption includes “all acquisition of goods and services by or on behalf of a visitor for and during his/her trip and stay at destination”.

3.2 As a consequence, the scope of tourism consumption is virtually the same as the scope of household final consumption in SNA93, and thus includes all consumption goods and services.

3.3 Nevertheless, not all these goods and services have the same relevance for the estimation of tourism consumption. We all know, by experience, that the level and structure of our consumption is modified when we are away from our usual environment. This means that structures and classifications which are meaningful for the study and description of household consumption might not be so interesting when we focus specifically on tourism.

3.4 This issue is recognized by SNA93 which recommends to begin the development of functionally oriented Satellite Account by “analyzing the structure of expenditure by product and looking at what activities deliver these goods and services”. 1

3.5 Following SNA93,  

“The first step is to define the goods and services that are considered specific to this field. It is convenient to distinguish two types of goods and services in this context: characteristic goods and services and connected goods and services. The first category covers the products that are typical for the field under study... The second category, connected goods and services, includes products in whose uses we are interested because they are clearly covered by the concept of expenditure in a given field, without being typical, either by nature or because they are classified in broader categories of products. The precise borderline between characteristic and connected products depends on the economic organization in a given country and the purpose of a satellite account” 2

“In actual satellite accounts, it is necessary, for analytical purposes, to show the uses of characteristic goods and services and the uses of connected goods and services separately.” 3

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1 SNA93, ¶21.16  
2 SNA93, ¶¶21.61-62  
3 SNA93 ¶21.66
3.6 For the purpose of this conceptual framework, the issue of classification has
to be considered from two different points of view, which complement each
other. These are: the adaptation to the specific needs and concerns of each
situation in which the conceptual framework is been applied; and international
comparability.

3.7 If the focus is on the adaptation to the needs of each specific case, this
conceptual framework could just provide guidance on the criteria which could
be used to determine tourism specific goods and services, and leave the
compilers free to make their own choices.

3.8 Nevertheless, WTO is also concerned by its institutional responsibility and
function and, through this conceptual framework, aims at providing a basis for
international comparison. As a consequence, particularly on this issue of
classification, the TSA framework must combine a flexible guide, sensitive to
the special needs of each specific compilation, and a basis for international
comparability. Due to the present lack of extensive experience on detailed
compilation of Tourism Satellite Accounts, this basis can only be minimal. In
the future, with increasing experience, it will be expanded and modified.

3.9 With the view of combining the two objectives of international comparability on
a core of goods and services (and productive activities) on one hand, and
sensitivity to the special needs, technical capability and statistical
development of compilers on the other, the TSA proposes, for the time being,
at an aggregated level, a common determination of characteristic goods and
services to be applied in order to publish results that could lead to
international comparability (this list is the one which appears in the tables of
the proposed TSA) 4, while each country should establish its own list of
specific goods and services (that is, characteristic plus connected) which
would be proper to each country.

3.10 The identification of characteristic and connected products should follow the
principles which are enounced in the following paragraphs.

3.11 **Characteristic** and **connected** goods and services, at different levels of
detail of classifications, would be extracted from the Tourism Product Code, a
parallel project developed by WTO on classifications of tourism goods and
services, using the following criteria:

- **Tourism characteristic products**: those which, in most countries, would
  cease to exist in meaningful quantity or that consumption would be
  significantly reduced in the absence of tourism, and for which statistical
  information seems possible to obtain.
- **Tourism connected products**: those, that are consumed by visitors in
  volumes which are significant for the visitor and/or the provider but are not
  included in the list of tourism characteristic products.

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4 TSA ¶1.5
• **Tourism specific products**: the set of both tourism characteristic products and tourism connected products; specificity would thus be associated to a special compilation.

3.12 The aggregate list of **characteristic** products identified by WTO is restricted, for the time being, to services for three main reasons: the first is that, in the first approximation, we are more interested in concentrating on the economic activities consisting in selling goods to visitors than on those consisting in producing them. As a consequence, in the case of goods, we shall initially focus on their retail trade, not on their production; the other is the great difference among countries and places visited and the goods purchased by visitors; finally the difficulties encountered by most countries in identifying these products purchased by visitors beyond the broad concepts of “shopping” or “souvenirs” does not make feasible to achieve a major breakdown for most compilations.

3.13 It concentrates on services which have been traditionally considered as tourism services, as they respond to the more general needs and wants of visitors as can be: accommodation, food and beverage serving services, long distance transportation and the associated services (including car rentals); travel arranger services, tourism guides and cultural and recreation services.

3.14 **Connected** products (those specific products which are not characteristic) would refer to different categories of items: those which can be found in most circumstances but are of lesser importance, such as taxicab services; those which occurrence might be specific to certain local characteristics of the place visited and might not necessarily be important everywhere, such as handicrafts and souvenirs.

3.15 Thus, according to this procedure, the universe of all goods and services is partitioned in the following way:
3.16 In order to clarify the discussions around the notions of “characteristic” and “connected”, it is worth observing that the meanings of these terms in the context of this international recommendation differ from the meanings attached to these words in the SNA93 general recommendation concerning Satellite Accounts 5. This has to be recognized and accepted. It is due to the fact that WTO is here acting in its capacity of provider of international normalization for statistical purpose in a specific field, namely tourism, which was not considered by SNA93, which, in its recommendation, only referred to the case of an individual country deciding by itself to engage on its own account in the compilation of a Satellite Account.

3.17 For this reason, the term “characteristic” was chosen to designate those goods and services (and activities) on which international comparability was thought possible and, as a consequence, would be at the center of the compilations when they are oriented towards this comparability, whereas the term “connected” was chosen to indicate those which would be proper to each compilation, and on which no comparability would be systematically sought.

a) As the experience on the design and application of common classification of goods and services and activities in the field of tourism is still rather scarce, WTO has decided to restrict its ambitions of comparability, for the time being, and proposed rather aggregated categories, where it hopes that comparability is feasible and meaningful. These are to be found in Annex 4.

b) With more experience from countries, and the approval of international classifications of tourism goods and services (the TPC) and activities (the SICTA), integrated within the international classifications (CPC rev (1) for products, ISIC rev (3) for activities) which are presently under discussion, such proposal will be modified.

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5 SNA93 ¶¶ 21.61, 21.62
B. Tourism characteristic activities

3.18 SNA93 emphasizes the analysis of characteristic producers in a satellite account:

In a satellite account, the main emphasis when looking at production is on the analysis of characteristic activities and producers. As explained earlier [e.g., ¶21.61, reference added], characteristic goods and services are typical of the field under study. The activities in which they originate are called characteristic activities, and producers who carry out a characteristic activity are said to be characteristic producers. 6

3.19 As we have already defined the set of characteristic products to be applied in international comparisons, the discussion on characteristic tourism productive activities could be closed, saying that they can be identified as those productive activities which produce a principal output which previously has been identified as characteristic of tourism 7. A list of those tourism characteristic activities can be found in Annex 4.

3.20 Similarly, connected activities can be identified as those productive activities which produce a principal output which has been identified previously as connected to tourism.

3.21 One important feature of characteristic and connected tourism activities is that they must serve the visitors themselves, that is, there must be a direct contact between the provider of the product and the consumer. For most services, the producer and the seller coincide, so this is not a restriction. In the case of goods, however, there are usually one or more intermediaries between the producer of the good and its ultimate consumer.

3.22 Normally it is the retailer of a good that is in direct (physical) contact with the consumer, not the producer. As a consequence, for purposes of the Tourism Satellite Account, the productive activity associated with any good provided to consumers will usually be the retailer of this good, because it is this unit which is in contact with the visitor. In a few cases, the retailer may be the same as the producer unit, such as artisans who make items and sell them directly to visitors but this is highly infrequent and this case will not be considered 8.

3.23 Travel agencies deserve special consideration because they retail travel services such as air transportation while the suppliers of air transportation are also in direct contact with the visitors when they fly them 9. Both travel agencies and airlines qualify as tourism characteristic productive activities.

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6 SNA93, ¶21.98
7 TSA ¶ 3.11 to ¶ 3.14
8 In countries where the production and sale of handicrafts to visitors is important, these are mostly traded through retailers
9 See Chapter II part B, ¶6.1
3.24 The same situation occurs in the case of tour packagers, and the same solution is also applied: the packager and the provider of the services might qualify as tourism characteristic productive activities.

3.25 Due to the criteria given for the determination of tourism characteristic products and tourism connected products, some productive activities might be considered as characteristic of or connected to tourism although their typical output is not principally sold to visitors because of the importance of the typical commodity for the visitors. This is the case for restaurants, or of forms of transportation where commuting is important, or when the activity of freight transportation cannot statistically be separated from that of passenger transportation.

3.26 A country developing a TSA should establish its own list of connected tourism activities from the SICTA\textsuperscript{10} enumeration of tourism related productive activities that serve visitors directly.

3.27 Such a list of tourism connected activities should include productive activities which part of principal output has been identified as connected product and of sufficient importance, in its own, to be separately identified and measured.

3.28 Such a list of tourism connected productive activities should exclude:

   a. the production of goods\textsuperscript{11};
   b. the production of non-market collective services since these are not part of tourism consumption;
   c. the construction and sale of any type of capital goods and non-financial assets, including buildings, since these are not part of tourism consumption.

3.29 Due to the particular nature of tourism consumption, which is defined not by the products which are consumed but by the particular purpose pursued by the consumer (i.e., travel away from home), there might be important differences between the output of tourism characteristic activities in a country and its tourism internal consumption. The importance of these differences depends on the extent of the supply to visitors by producers that do not belong to the tourism productive activities category, and also on the extent of the supply to non visitors by producers belonging to this category. The level of detail of the available information in terms of goods and services and activities has also an important effect on this difference.

3.30 Figure 3.1 illustrates this situation: the cells outlined with the double border indicate the focus of tourism supply analysis that the TSA offers. Similarly, the shaded cells comprise the topics that tourism consumption analysis focuses on. This emphasizes that there is no reason for tourism consumption in a country to equal the output of tourism characteristic productive activities.

\textsuperscript{10}The Standard Industrial Classification of Tourism Activities, first produced by WTO. It is based on United Nations International Standard Industrial Classification (ISIC) rev3, 1990

\textsuperscript{11}Precisely because those are acquired through retailers, and are not sold directly to visitors by the producers
### C. Tourism industries

#### 3.31 Ideally, the characteristic producer is a homogeneous production unit, that is, a producer unit in which only a single productive activity is carried out. However, such a unit is not normally observable and is more an abstract or conceptual unit than a reality. Consequently, for the sake of convenience, “establishments whose principal activity is a characteristic activity may be included in their totality” among tourism industries. “Principal productive activity” is defined as the activity of an establishment whose gross value added exceeds that of any other productive activity carried out within the same unit.

#### 3.32 As indicated, the statistical unit to be used is the establishment, which is defined as "an enterprise or part of an enterprise, that is situated in a single location and in which only a single (non-ancillary) productive activity is carried out or in which the principal productive activity accounts for most of the value added."
3.33 Within the functional perspective, SNA93 defines “industry” as “groups of establishments engaged in the same kind of productive activities”. The set of characteristic tourism activities does not comprise a single industry conforming to this definition. But this set does include a number of classes of “industries” in the ISIC sense. Consequently, the TSA defines the “tourism industries” as all establishments whose principal productive activity is a tourism characteristic productive activity.

C.1. Value added

3.34 As for all economic activities within the conceptual framework of SNA93, the functioning of the tourism industries in the sphere of production are best described by a set of tables showing the product composition of the outputs, the product composition of the inputs, and the remuneration of the factors of production.

3.35 The economic importance of a productive activity is usually measured by its value added, a measurement which ensures that there is no duplication when different productive activities are compared and aggregated and which is totally independent of the institutional organization of the production processes. This is the indicator of the economic importance of tourism that is emphasized in the TSA.

a. Gross value added is defined as the value of output less the value of intermediate consumption;
b. Net value added is defined as Gross value added less consumption of fixed capital.

3.36 As value added is intended to measure the additional value created by a process of production, it ought to be measured net, since the consumption of fixed capital is a cost of production. However, consumption of fixed capital can be difficult to measure in practice and it may not always be possible to make a satisfactory estimate of its value and hence of net value added. The TSA adopts the gross measurement of Value Added.

3.37 Value added is a measurement that is related to a production process taken as a whole, that is, a combination of inputs, capital goods, labor and technology in order to obtain a combination of outputs. As for other industries, we can validly compute the value added of the tourism industries as the sum of the value added of the characteristic tourism activities. It is this indicator that measures the economic significance of the tourism industries in a way comparable to the value added of other industries.

16 SNA93, ¶15.13
17 SNA93, ¶6.4-5
C.2. Employment

3.38 Employment is a variable of major importance in the economic analysis of productive activities, and this is also the case for tourism. In general, activities related to tourism are relatively labor intensive and thus there are many expectations relative to the effect of the development of tourism on a country’s employment and on the personal income of the labor force.

3.39 Employment can be described through various complementary indicators, and SNA93 recommends the use of three of them as the more relevant. They are the following:

The first one has to do with number of jobs, defined as "an explicit or implicit contract between a person and an institutional unit to perform work in return for compensation for a defined period or until further notice. The institutional unit may be the proprietor of an unincorporated enterprise; in this case the person is described as being self-employed and earns a mixed income". 18 Number of jobs is not equivalent to number of employed persons, since an individual might have more than one job within the tourism industries or within other, non-characteristic activities.

A second indicator of employment is total hours worked. This is a standard measure of labor input, and is defined as "the aggregate number of hours actually worked during the year in employee and self-employment jobs". 19 Since all jobs do not necessarily require the same number of hours worked, this indicator is distinct from the previous one, and permits more valid comparisons across productive activities and among countries.

The third one refers to full time equivalent positions, and is “the number of full-time equivalent jobs, defined as total hours worked divided by average hours worked in full-time jobs” 20.

3.40 For policy purposes it might be relevant to associate characteristics to the employed, such as gender, age, nationality, working hours, educational achievement, occupation, wages and total labor costs; or characteristics of the jobs themselves, such as seasonal, permanent, part-time, full time; or that of the size of the establishment or the legal status of the institutional unit operating the establishment. Many of these characteristics can be used as cross-classifications to the basic ones, as well.

3.41 Tourism presents peculiarities that have to be taken into consideration when employment is concerned. In many cases, tourism consumption, particularly that resulting from inbound tourism, is not evenly spread over the year. Rather, many destinations experience fluctuations in their tourism activity due to seasonality of demand in response to its qualities: a ski resort will be mostly

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18 SNA93, ¶17.8
19 SNA93, ¶17.12
20 SNA93, ¶17.14
visited in the winter months, while beach resorts will mostly be visited during mild or hot months of the year. As a consequence, employment of characteristic tourism activities will fluctuate seasonally with more intensity than other activities.

3.42 This underlines the importance of measuring employment by a variety of indicators which complement each other and may not have general application in the economy. These include the number of jobs each month, full-time versus part-time jobs, year-round versus seasonal jobs, and total hours worked.

C.3. Gross fixed capital formation

3.43 The Gross Fixed Capital Formation in the Tourism industries is an important component of the description and analysis of tourism, because it shows how the future is anticipated by the actors on the supply side. This importance has been recognized, and the Tourism Gross Fixed Capital Formation is made of two distinct important parts: the first one identifies tourism Gross Fixed Capital Formation through a list of “specific” items, while the second part identifies the Gross Fixed Capital Formation in any kind of produced tangible assets by the tourism industries.
IV. Tables, accounts and aggregates

4.1 A TSA is no more than a set of definitions and classifications integrated into tables, organized in a logical, consistent way, which allows to view the whole economic magnitude of tourism in both its aspects of demand and supply. As a consequence, this chapter, which describes the tables and aggregates, constitutes the central part of the TSA conceptual framework.

4.2 This chapter is related to the first type of scenario already mentioned; consequently, the tables, accounts and main aggregates refer to the proposed TSA.

A. Description of the tables and accounts

4.3 The Tourism Satellite Account is made of a set of ten tables derived from or related to the set of tables of SNA93 relative to supply and use of goods and services. This set is the center for international comparisons of economic impacts of tourism between economies.

4.4 The formal differences between the TSA tables and those in SNA93 are numerous but are mainly due to differences in presentation rather than differences in concepts. Consequently, developing a country’s TSA requires from the compiler, not only a basic set of direct data collection procedures, but also a transformation of existing information in National Accounts to the tourism orientation embodied in the TSA. This transformation consists of:

a. The extraction of data on tourism characteristic products and productive activities from the data bases used for the elaboration of make and use matrices of the National Accounts: the greater the detail in classification, more complicated and difficult the procedure.

b. The transformation of package tours from their gross valuation in the National Accounts to the net valuation required by the TSA, in order to separate the services of the tour packager from the components of the package as both, the services of the tour packager and the services embodied in the package, are considered as consumed by the visitors.

c. The extraction of the value of travel agency services from the costs of the services in which they are included (principally transportation, package tours, and accommodation) in order to explicitly consider travel agency services as part of a country’s tourism industries. This also requires identifying, within inbound tourism consumption and outbound tourism consumption, the residence of the different providers of the services (e.g., air transportation, hotel lodging) as well as that of the travel agency itself.

d. The breakdown of the value of goods acquired by visitors between the retail trade margin corresponding to the typical output of a productive activity in direct contact with the visitors (e.g., retail pharmacy trade), and the rest of the value of the goods considered to be non specific products (e.g., medicine).

1 TSA § 1.7
e. Finally, within the uses, it is necessary to identify tourism consumption in all its components (including monetary transactions, non monetary transactions and business expenses) as different from non tourism consumption.

4.5 Because monetary transactions are the most important components of tourism consumption, we first consider tables focusing on monetary tourism consumption by the different forms of tourism due to their overall relevance within total tourism consumption (tables 1 to 3). Then a table (table 4) adds globally all the monetary and non monetary components of tourism consumption as it is not always possible, in all its components, to distinguish the forms of tourism involved, and this leads to the aggregate of tourism internal consumption, which is the variable to be compared to domestic supply.

4.6 Then comes the supply table where special emphasis is put on tourism characteristic products and tourism characteristic activities (table 5) leaving field for countries to identify more products or activities if possible.

4.7 An overall confrontation of tourism internal consumption with transformed supply (production) activities, where tourism products and productive activities are highlighted, is then presented (table 6) from which Tourism Value Added and the GDP generated by tourism consumption can be derived.

4.8 Despite of the difficulties in its measurement but in recognition of its central importance, a table referring to employment (table 7) is included in the basic set of tables of the TSA.

4.9 The same can be said of gross fixed capital formation and of the consumption of collective non market services: in order to emphasize their importance as components of the central aggregate which is tourism demand, a table for each of them is part of the basic recommendation (tables 8 and 9 respectively), so that the aggregate of tourism demand can legitimately be compiled.

4.10 Finally, a table (table 10) is proposed in order to collect other quantitative indicators, basically in terms of physical units (number of visitors, capacity utilization and the like) related to the values reported in the previous tables.

4.11 Each country will establish which tables it wishes to elaborate in its TSA. However, for a set of economic accounts following SNA93 principles to be considered a Tourism Satellite Account, they must include at least a presentation of supply by the tourism industries and consumption by visitors in certain detail in terms of goods and services and productive activities, as this is the heart of the TSA system. Accounts that concentrate solely on tourism demand or solely on the supply of tourism industries do not qualify as a Tourism Satellite Account. In any case, WTO suggests that presentation of results always be accompanied by clear references to the coverage of aggregates, and to the methodology used in their estimations.

4.12 Most of the tables that are presented herein can be established both at current prices and at constant prices, in domestic currency and, for international tourism, in foreign currencies. Constant price valuations can only validly be applied on
entries relating to products, both market and non-market. Computations at constant prices should be performed following SNA93 principles.

4.13 A set of worksheets are presented in Annex 5 as well as an operative scheme illustrating their interrelation with the tables of TSA. They are meant to provide some guidance for countries in order for them to generate the tables of the TSA. Extensive reference to their content will be made in the description of the variables included in the tables, as much of them derive from compilations proposed in the worksheets.

A.1. Classifications used

4.14 In all the tables, the same classifications of products and activities are used.

4.15 Products are classified in three broad categories: characteristic products, connected products and non specific products.

4.16 In order to provide for international comparability, the proposed TSA includes a list of aggregated characteristic products, which precise content in terms of CPC components can be found in Annex 4. These entries are those which appear in the tables.

4.17 Regarding connected products, countries should also establish the list of supplementary goods and services of tourism interest and object of detailed analysis.

4.18 Non specific products are all those which are neither characteristic nor connected: they are considered of no major direct tourism interest.

4.19 It is recommended to separate clearly goods from services, due to the necessity, at a certain stage of the elaboration, to extract the value of retail trade services on goods from the rest of the purchasers’ price value of the goods.

4.20 Regarding productive units, there are three main categories of activities which are defined by their main output. The first, tourism characteristic activities are also defined for the TSA and their list and composition can be found in Annex 4: they constitute the activities on which international comparability is sought in a first stage. They correspond to characteristic products, and are defined at the same aggregate level, with the exception of travel agencies, tour organizers and tourist guide services which are presented in a aggregated form in terms of activities, and in a detailed form, in terms of products.

4.21 The second, category, tourism connected activities are those activities which produce typically tourism connected products, proper to each country or group of countries, and which the compiler consider necessary for the analysis to present separately.

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2 TSA ¶ I.5
3 If possible, passenger transportation services should be separated from freight transportation services as only passenger transportation services are to be considered as tourism characteristic activities
4.22 Finally, a third group of other activities includes all other productive activities which do not belong to the previous ones.

A.2. The tables

Tables 1, 2, 3: Tourism consumption by products and forms of tourism: monetary transactions

4.23 Tables 1 to 3 describe the most important components of tourism consumption. They focus on the description of tourism consumption (restricted to monetary transactions) for each form of tourism by category of products. Table 1 focuses on inbound tourism, Table 2, on domestic tourism, and Table 3, on outbound tourism. The product breakdown is the one recommended for all tables.

4.24 In all cases, two blocks of columns are separated, which refer to a gross valuation (left block) and a net valuation of package tours (right block). In each case, different columns are provided for same-day visitors, tourists and a total visitors which is the sum of the two previous ones. Same-day visitors, by definition, do not stay overnight and as a consequence do not consume accommodation services.

4.25 Two additional lines relate these values to the number of arrivals and overnights. This generates a link between monetary data and non monetary indicators. Although the change in numbers of arrivals and of overnights are not strictly volume indicators in the sense of national accounts, it is important to verify the evolutions of per capita or per night expenditure and thus to validate the quality of the data.

4.26 The total value of consumption of package tours should be found in the line “tour operator services” of tables 1, 2 and 3 in the column “gross valuation”. Worksheets 2a and 2b provide the information in order to transform the gross valuation of package tours into a net valuation. A gross valuation is closer to consumption expenditure as it is perceived by visitors, but a net valuation takes us by steps to the reconciliation between consumption and supply.

4.27 For domestic tourism and outbound tourism, the total value of tourism consumption is not modified when a different method for evaluating package tours is used: only the product breakdown is altered, so that the total for each column are the same, if looked in the block “gross valuation of package tours” or in the block “net valuation of package tours”.

4.28 This is not true in the case of inbound tourism. Worksheets 2a and 2b make clear that there are components of domestically produced package tours which are produced by non-residents, and therefore must be excluded from inbound tourism consumption while there are at the same time components of foreign produced package tours which are produced domestically and thus should be included within inbound tourism consumption: there is usually a difference in value in the total inbound tourism consumption whether package
tours are evaluated in a gross form or in a net form: this difference in value should figure in the line "net difference on package tours". This difference, for total visitors, should be the same as the difference between total of column 5(a) and total of column 4(b) of worksheet 2a.

4.29 For **outbound tourism**, an additional breakdown is needed, in order to achieve the measurement of tourism internal consumption as this variable requires to identify the demand by all forms of tourism which is met within the domestic economy: as we have seen, the venue of tourism consumption differs from the destination of tourism, as expenditure might occur in the place of origin of a trip. As a consequence, each of the columns previously identified for other forms of tourism is now broken down into two components: that consumption met by resident providers, and that met by non-resident providers.

**Tables 4: Tourism consumption by products and forms of tourism: monetary and non monetary transactions**

4.30 Tables 4a and 4b take us to a global measurement of tourism internal consumption and total tourism consumption by products, where monetary and non monetary transactions are both considered. While in table 4a, a gross valuation is used, in table 4b, a “net" valuation prevails.

4.31 The structure of tables 4a and 4b is similar: 8 columns, numerated 1 to 8 are presented: column (1) refers to inbound tourism consumption (monetary transactions); column (2) refers to domestic tourism (monetary transactions); columns (3) and (4) refer to outbound tourism consumption (monetary transactions) where column (3) represents consumption acquired from resident providers, and column (4) represents consumption acquired from non-resident providers; similarly, columns (5) and (6) refer to tourism consumption - total non monetary transactions, which are broken down into those acquired from resident providers (column (5)) and those acquired from non-resident providers(column (6)). The last two columns show tourism internal consumption, as the sum of columns (1), (2) (3) and (5) (only consumption acquired from resident providers) and total tourism consumption as the sum of all columns from (1) to (6).

4.32 In **table 4a**, flows are valued in their original form, without adjustments.

- Values in column 1 come from table (1) gross valuation of package tours;
- Values in column 2 come from table (2) gross valuation of package tours;
- Values in column 3 come from table (3) column resident providers gross valuation of package tours;
- Values in column 4 come from table (3) column non resident providers gross valuation of package tours;
- Values in column 5 come from Worksheet (3a) column acquired from resident providers;
Values in column 6 come from Worksheet (3a) column acquired from non-resident providers.

4.33 In table 4b, these flows are transformed, and we speak of a “net” valuation or “adjusted presentation”. This net valuation consists of:

- The net valuation of package tours;
- The extraction of the value of travel agency services from the costs of the services in which they are imbedded;
- The breakdown of the value of goods acquired by visitors between the retail trade margin and the rest of the purchasers price value;

4.34 As a consequence of these adjustments, no change is made to the total values of consumption as compared to table 4a, with the exception of inbound tourism consumption, due to the adjustments associated to the net valuation of package tours. As a consequence, for monetary consumption the totals are those which appear in tables 1, 2 and 3, in the block: net valuation of package tours.

4.35 Regarding the classifications of products, as characteristic products do not include goods, no modifications are required in that category. Regarding connected products and non specific products, goods have to be broken down between their retail trade margin, and the rest of the purchasers price value. These remnant values of goods are now presented within a separate block, on the bottom part of the table, where nationally produced goods are separated from imported ones. As a consequence, the upper part of the table now relates only to services.

4.36 Data entering columns 5 and 6 can be directly extracted from worksheet 3b, while those entering the previous columns have to be calculated from data figuring in tables 1, 2, and 3.

4.37 Table 4b provides data on tourism consumption which can now directly be entered within the structure in which consumption and supply can be compared.

**Table 5: Production accounts**

4.38 Table 5 presents the production accounts of the tourism industries of the compiling economy in a form suitable for the comparison with tourism consumption, where tourism industries and tourism characteristic products are highlighted and imbedded within a general framework of analysis. This production table conforms formally to the format established in SNA93: output is broken down by product, is valued at basic prices and occupies the upper part of the table. Then intermediate consumption, also called inputs, is presented, is broken down according to the CPC classification and is valued at purchasers prices. The difference between these two values is called Value

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4 SNA93 ¶ 6.205 a)  
5 SNA93 ¶ 6.215
Added at basic prices and is further broken down in its components in a third blocks of rows.

4.39 In columns, the production accounts of the tourism industries are presented individually, and each country can also present the connected activities which it considers relevant, in a detailed form. Output is valued at basic prices, and the breakdown corresponds to a net presentation, which was discussed previously: The transformation from original data on output to the net presentation is provided through worksheets 4a and 4b.

4.40 In the comments which accompany the worksheets, the effects of the transformations on the value of output, intermediate consumption and value added of the activities are described: it is shown how these transformations, if they may alter the values of output, imports, exports and intermediate consumption, do not modify the values of value added of the activities.

4.41 The lower part of the table presents the detailed inputs of the production processes (classified according to the CPC), and then the value added by each productive activity and its components. Intermediate consumption of the different activities might be presented in the detail that each country considers suitable for its further analysis of the interrelation of tourism activities with other productive activities. Strictly, only detailed output of characteristic activities are needed. In a preliminary stage, only total intermediate consumption of the activities might be presented.

Table 6: Supply and tourism consumption of services by products

4.42 We are now ready to enter the core of the TSA, where the confrontation between supply and consumption takes place, and where computations of Tourism Value Added (TVA) and Tourism GDP and their components can be performed.

4.43 The rows of Table 6 are similar to those of Table 5. That is, the first block of rows details output by tourism characteristic product, enhancing services, and within those, tourism characteristic services. Total output of an activity is obtained as the sum of its outputs by product. Then a block of rows shows intermediate consumption by product and a total. The difference between total output (at basic prices) and total inputs (at purchasers’ prices) provides value added at basic prices. The last block of rows presents the components of value added.

4.44 The columns of Table 6 are first organized by productive activities, with emphasis on the tourism industries. The supply by domestic producers is added in a column representing supply within the domestic economy of imported services (marginal cases of transport services within the domestic economy by a non resident producers, or insurance services provided by a non resident company to travel internally..). This total domestic supply is systematically compared to tourism internal consumption product by product (that is, on each row), with the exception of the value of goods (net of retail trade services) which have been isolated in the table and are excluded from the confrontation. A ratio of tourism internal consumption to each component
of supply is established, globally, and possibly by activity and by product, with ratios proper to each case if possible.

4.45 In Table 6, for most of the variables presented in columns, a column for tourism share or tourism ratio is also presented. The object is to establish how much of the value of the variable is attributable to tourism consumption. Regarding output (first upper part of the table), these tourism share values can be established in different ways: from direct information from suppliers (information on their classes of customers), from visitors themselves (sample surveys of expenditure by product), or from opinions of experts familiar with the relationships.

4.46 From tourism share established for output, we can, through different calculations involving assumptions on the technologies applied to the production processes of the establishments, estimate for each activity, intermediate consumption, and from difference with the value of output attributable to tourism consumption, compute value added generated by tourism consumption. These procedures suppose usually the use of input-output techniques, and of the processes of reduction from a supply and use table to a square commodity by commodity input-output table.

4.47 This would be the unique case, in the elaboration of the TSA, that models would be used to compile some important results, instead of directly reconciled statistical data: this is due to the fact that, as already largely commented, value added is strictly associated to a producing process and not to a specific output.

4.48 As a consequence, for each activity the value added (at basic prices) corresponding to tourism consumption can be established. As a result, adding across all productive activities, we can obtain total value added (at basic prices) corresponding to tourism consumption.

4.49 From Table 6 we can obtain both TVA and GDP generated by tourism consumption. TVA is obtained by adding the value added corresponding to tourism consumption across all activities. To obtain the GDP generated by tourism consumption, to TVA should be added the taxes less subsidies on products and imports on tourism consumption, which value is exactly the difference between tourism consumption valued at purchasers’ prices and at basic prices.

4.50 Theoretically, these aggregates (TVA and Tourism GDP) should be independent of the detail in which calculations have been made, and in particular, of the tourism characteristic productive activities that have been identified. In practice however, it is not so. The more detailed the analysis and the more refined and accurate the assumptions on the way tourism consumption affects each productive activity, the more precise the measurement.

Table 7: Employment in the tourism industries

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6 TSA ¶4.67 to ¶ 4.77 for the definition of these aggregates
The basic recommendation of the TSA recognizes the difficulty that most of the compilers meet in the measurement of employment. Seasonality, high variability in the work conditions, flexibility and the lack of formality of many work contracts in many small producing units are the major obstacles for deriving meaningful figures. This explains why, although there is no doubt that employment is a crucial variable for the description of the economic importance of tourism, statistical limitations do not allow to be very ambitious for the time being.

Measurement of employment will thus be limited to the employment in the tourism industries, and the indicator to express its size will be the simplest one: that of number of jobs. Table 7 presents levels of employment and labor inputs of characteristic tourism activities through the unique indicator of number of jobs.

Two major breakdowns of this variable are proposed: one according to the gender of the person employed, the other according to a simplified status in employment classification, where only employees are separated from the rest of the labor force.

As an additional variable, the number of establishments for each tourism industry is also recalled, so that an average number of employed persons, per gender and per status in employment, per establishment can be compiled.

As a consequence, the measurement here proposed refers to a restrictive quantification of employment according to its statistical meaning (since not all the volume related to an industry corresponds to tourism consumption) and its coverage (since there are different levels of employment in non-tourist industries that correspond partly to tourism consumption).

Table 8. Tourism gross fixed capital formation

Table 8 presents at the same time the detailed fixed capital formation of the compiling economy of produced fixed assets specific to tourism acquired by the tourism industries and by producers outside the tourism industries as well as the gross fixed capital formation of the tourism industries in non-tourism specific produced assets.

Tourism specific produced fixed assets are presented in the Tourism Product Code, and for the sake of tabulation, are classified in broad categories, consistent with the recommendation of SNA93 in this field:

- **Dwellings** include vacation homes and other second homes that are different from the main residence of the household and acquired with the objective of being used on a non permanent basis by members of the household owning it. They might have also been acquired or constructed with the particular objective of being dedicated to the attention to visitors, according to different types of contract, including time sharing schemes.

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7 TSA ¶ 5.46
b. **Other buildings and structures** comprises those which are specifically produced in order to provide tourism characteristic products. Examples to be included in this heading are hotels and other collective accommodations; restaurants and similar buildings serving food and beverages; stadiums, arenas and other structures for sports and other recreational activities, in terminals for travelers by air, water and rail.

c. **Machinery and equipment** comprises all the equipment associated directly with the provision of characteristic services and which are tourism characteristic, such as the equipment for the industrial preparation of food in restaurants, the special equipment for terminals to facilitate the proper service to passengers; all sporting goods and similar, identified as tourism consumer durables when purchased by visitors, and acquired by producers in order to be rented, etc.

d. **Equipment for the commercial transport of passengers** covers the fleet of aircrafts, cruise vessels, buses equipped for long distance travel, railroad coaches, passenger watercraft, etc., but not the equipment for the transport of freight or of non-visitors (i.e., commuter railroad cars).

e. **Major improvements to land**, made by the private sector in the form of reclamation of land from the sea by the construction of dikes, sea walls or dams, clearance of forests, rocks, etc. to enable land to be used for tourism purposes.

**Table 9: Tourism collective consumption**

4.58 It is based on no previous experience that recommendations are made for the measurement of tourism collective non-market services, using the following classification:

- general regulation
- general planning and coordination
- generation of statistics and of basic information on tourism
- administration of information bureaus
- control and regulation of establishments in contact with visitors (hotels, restaurants, recreation parks, etc.)
- specific controls to inbound visitors: issuance of visas and controls at the border
- special civil defense services related with the protection of visitors

4.59 It must be stressed that the provision of individual non-market services, such as those provided by national parks, museums, etc. are excluded, as these are considered within the social transfers in kind to visitors, and part of visitors (total) consumption that we have agreed to call tourism consumption.

4.60 Table 9 suggests a compilation of this information by type of service and level of government. Production is measured, as it always is the case for non-market services in SNA1993, by using the costs of production, including the consumption of fixed capital as a component of these costs.
Table 10: Quantitative indicators without monetary expression

4.61 Table 10 presents a few quantitative indicators, without monetary expression which have been used in most of the previous tables: number of arrivals (or departures) by forms of tourism and duration of the stay, physical indicators regarding forms of accommodation; means of transportation used by inbound visitors to enter the compiling economy; and finally number and size of the establishments belonging to tourism characteristic and tourism connected activities. As SNA93 states explicitly 8, physical indicators are an essential component of Satellite Accounts and in no case should be viewed as a secondary part of these.

B. The aggregates

4.62 The aggregates are not the most important features of the Tourism Satellite Account, which primary objective is to provide detailed and analytical information on Tourism on all its aspects: composition of tourism consumption, productive activities most concerned by the activities of visitors, relationship with other productive activities, relationship between the different focuses that are possible, etc. Nevertheless, they have an important political impact (because they measure the quantitative importance of tourism in the compiling economy), which cannot be disregarded.

4.63 These main aggregates need to be comparable within an economy, with other macro-indicators, and among economies.

4.64 The aggregates which are presented can be measured in terms of the national currency or some other currency. The use of international currency makes international comparability more direct.

4.65 They may also be compiled in terms of current (i.e., actually prevailing) prices or constant (i.e., relative to the prices prevailing in a base or reference period) prices. The latter presentation is designed to emphasize changes in volume of activities distinct from changes in prices, and facilitates comparisons overtime.

B.1. The main aggregates

B.1.a. Tourism consumption

4.66 First and above all, tourism is basically a demand concept, more precisely a consumption concept. The characteristics of the visitor (consumer) determine whether the consumption expenditure on a product is tourism-related or not. It is legitimate then to give particular relevance to the aggregates that focus on consumption. As discussed in chapter II, the forms of tourism are important aspects to be taken into consideration. Tourism internal consumption

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8 SNA93 ¶¶ 21.5, 21.113
characterizes globally the amount of all forms of tourism consumption within an economy. Nevertheless, from a practical point of view, although it is possible, and necessary, to measure the total of non-monetary consumption within an economy (and it is done through worksheets 1, 3a and 3b) it seems difficult to establish the value of this type of tourism consumption by form, which is required, if we are to measure total tourism consumption (monetary and non-monetary) by form.

4.67 As a consequence, and for practical reasons, the following aggregates shall characterize tourism from a consumption point of view:

- inbound tourism consumption (monetary transactions only)
- domestic tourism consumption (monetary transactions only)
- outbound tourism consumption (monetary transactions only)
- internal tourism consumption (monetary transactions only)
- tourism internal consumption (monetary transactions only)
- total tourism internal consumption (all transactions: monetary and non-monetary): to the previous aggregate is added the total of all tourism non-monetary transactions within the economy.

4.68 If the same SNA93 principles that guide the compilation of a country’s National Accounts are applied, it makes sense to compare these aggregates to the main aggregates of National Accounts, particularly to Gross National Product or Gross Domestic Product, just as total imports, total exports, total household final consumption or the surplus or deficit of the public sector are compared to them. However, it must be stressed that TSA total aggregates cannot be expressed as a share of Gross Domestic Product or household final consumption at the aggregate level, because they differ in coverage as tourism (total) consumption includes flows (business expenses) which National Accounts classify within the intermediate consumption of productive activities and not as part of final demand.

B.1.b. Tourism supply

4.69 In order to characterize tourism supply, three different indicators are used, which are slightly different and complement each other.

Value Added of the Tourism Industries

4.70 Value Added of the Tourism Industries simply sums the total value added of all characteristic producers, regardless of whether all or even some of their output is provided to visitors, and it lefts out the effect of tourism consumption on other productive activities which might serve them.

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9 SNA93 distinguishes sharply between Gross Domestic Product as the measure of production of all of the institutional units resident in a country and Gross National Product as the measure of the income of all of these same units. To emphasize this difference, SNA93 renames “Gross National Product”, “Gross National Income” (GNI). SNA93, ¶¶7.16-7.17
4.71 The Value Added of the Tourism Industries, which is the indicator usually used to measure the importance of a productive activity, is likely to be an inadequate indicator of the size of tourism in a national economy. Visitors demand for the output of the various characteristic producers may range from a large share of total output (e.g., scheduled air passenger transport, hotels) to a small share (e.g. full-service restaurants). As the “tourism character” of a particular output is not defined by its particular nature but by the purpose pursued by the consumer in his/her purchase, there is a larger gap between the output of tourism industries and tourism internal consumption than for any other economic phenomenon functionally defined, such as health or education. Value Added of the Tourism Industries, therefore, may distort the value added actually attributable to tourism activity in a country.

Tourism Value Added

4.72 As a consequence, and due to the fact that, by extension and through a calculation, a value added can be associated to the value of part of the output of a productive unit, Tourism Value Added (TVA), is defined as the value added generated in the economy by the tourism industries and other industries in response to tourism internal consumption.

4.73 Tourism Value Added includes the proportion of value added generated in the process of provision of goods and services directly to visitors or would be visitors, or to third parties for their benefit, by all industries, whether they belong or not to the tourism industries.

4.74 For instance, the Value Added of the Tourism Industries would include all of the value added generated by restaurants. Tourism Value Added (TVA) would include the value added generated by meals served in restaurants to visitors, but would exclude the value added corresponding to meals served by these same restaurants to non-visitors. It would also exclude the value added generated by restaurants in any other secondary activity, as for instance, catering to local businesses, the rental of space to third parties, etc., and in any other products not delivered to visitors.

4.75 On the other hand, TVA would also include the corresponding value added associated with the output of those secondary activities that, although characteristic of tourism, are part of establishments whose main activity is not a tourism characteristic activity.

4.76 It is important to note that TVA is not directly observable and must be estimated based on visitor surveys and other techniques that suggest the proportion of an establishment’s output consumed by visitors. This estimation is complicated by the fact that an establishment may produce secondary products that are not delivered to visitors yet comprise part of the value added of the establishment. Separating out this non-tourism value added may be a difficult task.
Gross Domestic Product (GDP) generated by tourism consumption (Tourism GDP)

4.77 Following the recommendations of SNA93, the value added of transactors is established at basic prices. That is, outputs are valued excluding all net taxes on products (i.e., indirect taxes net of subsidies on output), and inputs are valued at purchasers’ prices, that is, including trade and transport margins and all net taxes on products. Nevertheless, as consumption expenditure is valued in SNA93 at purchasers’ prices, that is, including all net taxes on products, there is a share of a country’s tax on products and imports revenue that relates directly to tourism consumption.

4.78 Since total GDP of an economy is equal to the sum of value added generated by all productive activities (at basic prices) plus net taxes on products and imports, it is possible to establish rules for measuring GDP generated by tourism consumption. This is the sum of the value added (at basic prices) generated in the tourism industries and in other activities in response to tourism internal consumption, and the amount of net taxes on products and imports included within the value of this expenditure.

4.79 Figure 4.1 shows the relationship between these two indicators and the value added of the tourism industries.
Figure 4.1: Relationship of the different economic aggregates characterizing the size of the tourism industries and that of tourism

<table>
<thead>
<tr>
<th>Tourism aggregates</th>
<th>Value Added of the Tourism Industries</th>
<th>Tourism Value Added (TVA)</th>
<th>Tourism GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value added (at basic prices) generated by the supply to visitors by the tourism industries *</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Value added (at basic prices) generated by the supply to non-visitors by the tourism industries</td>
<td>yes</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Value added (at basic prices) generated by the supply to visitors by activities not in the tourism industries *</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Value added (at basic prices) generated by the supply to non-visitors by activities not in the tourism industries</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Net taxes on products and imports included in the value of tourism consumption (at purchasers’ prices)</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
</tbody>
</table>

* It also includes the supply to resident visitors travelling abroad who consume goods and services in the compiling country before and after this kind of travel (s)

4.80 It is important to address two issues here:

- The only indicator strictly characterizing tourism supply is the Value Added of the Tourism Industries. TVA and Tourism GDP result from the reconciliation of supply and consumption within the TSA. This reconciliation is essential to the construction of a TSA and cannot be accomplished in the absence of the TSA.
- Although the latter two indicators can provide a measure of the economic importance of tourism in a country in the same sense as the GDP of any productive activity does, they do not refer to tourism as a productive activity, itself comparable to productive activities in SNA93. They are indicators emanating from a reconciliation of tourism consumption and supply, and their values will depend on the scope of measurement of tourism consumption that a country adopts.
B.2. Other aggregates

B.2.a. Tourism employment

4.81 Similarly to Tourism Value Added and Tourism GDP, analysts wish to establish some aggregate measurement of tourism employment, where any of the indicators that were introduced previously (number of jobs, number of hours worked, full time equivalent positions) would be directly associated to tourism consumption.

4.82 As employment is a variable associated with productive processes, we are in a situation similar to that of GDP: employment generated by the tourism industries, which is an indicator that many countries might be able to compile, is perceived as an inadequate indicator, because of the important discrepancies previously commented between tourism internal consumption and the supply by characteristic tourism activities.

4.83 In this case, even more than in the case of GDP and TVA, the association of a level of employment to a specific part of the output of a production process, which is necessary for the calculation of employment generated by tourism consumption, is difficult to achieve and justify theoretically.

4.84 Due to the lack of solid theoretical and empirical evidence concerning the assignation of employment to a specific part of output, the present conceptual framework will not include the compilation of any of the aggregates of tourism employment generated by tourism consumption.

4.85 As a consequence, and for the time being, TSA will only consider the calculation of total employment in the tourism industries using the sole indicator of number of jobs.

4.86 Nevertheless, the interpretation and the presentation of this restricted indicator must be particularly cautious, because the variable characterizing employment (employment in the tourism industries) and Tourism Value Added or Tourism GDP are not strictly comparable, as their universe of reference is different. Any calculation derived from these aggregates in terms of ratio of GDP or Value Added per job should be carefully avoided, because they do not refer to the same conceptual set. It is only with the GDP or the Value Added of the tourism industries that such relationship is meaningful.

4.87 A very broad area of theoretical research and statistical work is needed, in order for the TSA to provide the compilers with some guidance required on such an important topic: in Chapter 5, some mention will be made on future works to be developed in that field.
B.2.b. Tourism gross fixed capital formation

4.88 The measurement of a pure tourism gross fixed capital formation aggregate, that is a value of gross fixed capital formation which could be truly associated to tourism consumption, requires of two steps: first the identification of the items constituting those capital goods associated to the service to visitors; then the establishment of a tourism share associated to each of the investment components.

4.89 Regarding the first step, if it possible to identify the first two categories of tangible produced fixed assets that had been considered previously as constituting those goods associated with tourism, namely tourism specific tangible fixed assets, as well as the gross fixed capital formation of the tourism industries. Nevertheless, there is no extended experience in the identification of investment of the public authority benefiting tourism, because in most of the cases, the benefits of these investments are shared over a very broad constituency.

4.90 Due to conceptual and measurement difficulties as well as to the lack of experience in the area of functional analysis of the gross fixed capital formation of the public authority, the TSA for the time being will exclude, from the coverage of tourism gross fixed capital formation, the investment in public infrastructure in relation to transport.

4.91 Regarding the second step of the estimation of tourism gross fixed capital formation, no intent will be made to try to associate some tourism consumption share to gross fixed capital formation, because, in this case again, there is no evidence nor any experience that the compilation of such a share has any substantial meaning.

4.92 As a consequence, and for the time being, TSA will only consider two global aggregates:

- Gross fixed capital formation in specific tourism fixed produced assets by all economic productive activities;
- Total tourism gross fixed capital formation, which adds to the previous aggregate the gross fixed capital formation of tourism industries in non specific tourism fixed assets.

4.93 This decision only reflects the lack of statistical sources and of theoretical research in the field of capital formation measurement, and in no ways, constitute a theoretical stand on the topic.

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10 TSA¶ 4.53
B.2.c. Tourism collective consumption

4.94 Although collective non-market services have been excluded from visitors consumption, this does not mean that there is no interest in measuring the magnitude of the expenditure by the public administration in the tourism-related fields of analysis, control, market promotion, financing, planning, etc. and that it does not have its place in the aggregate measurement concerning the economic importance of tourism.

4.95 The public sector plays an important role in the harmonious development of tourism activities. It establishes the legal framework covering tourism activity. It establishes certain controls on the production of services, and in some cases guarantees the quality of the service that is provided. It sets the legal framework for private investment, and sets norms for the preservation of the environment and the cultural and historical heritage. It studies the flows and orders certain public initiatives to attract the flow of visitors to certain locations and at certain times. It organizes important events and coordinates private initiatives that are involved in serving visitors. In certain cases, it organizes and controls the financing of the required investments for tourism.

4.96 These functions can be developed at the different levels of government: at the national level, at a regional (sub-national) level and even at the level of local entities.

4.97 The value of these different activities developed by the public administration can be established, along the same parameters of the measurement of any other collective non-market services, that is, through their cost of production. The value of consumption is, by convention, equal to the value of production.

4.98 Nevertheless, it must be recognized that besides its conceptual limitations, only partial and limited experience exists in this type of measurement. As a consequence, and for the time being, in line with the efforts made by WTO over the years in order to promote the action of national tourism administrations and the like and to evaluate the effectiveness of their actions, TSA will include a global estimation of tourism collective consumption, the components of which are presented in table 9.

B.2.d. Tourism demand

4.99 If tourism internal consumption, defined as visitors (actual) consumption, is the central aggregate to qualify the size of direct visitors demand within an economy, it must be recognized that it is legitimate to consider that such an aggregate could validly be complemented with other components of final demand generated by this very attention to the visitors, and with which no possible duplication exist.
4.100 In line with SNA93 recommendations to qualify tourism as a functional area of concern, and with the general indicator which is presented within this context, an additional aggregate characterizing the size of tourism can be compiled, called tourism demand, which consists of the sum of tourism consumption, tourism gross fixed capital formation and collective consumption.

4.101 Coherently with previous remarks, the present conceptual framework does not propose the estimation of this aggregate until more experience and methodological research in relation with the implementation of TSA is achieved.

4.102 It must be observed however that, as in the case of tourism consumption, and as a direct consequence of the composition of this consumption, which includes entries corresponding to intermediate consumption of productive activities, this tourism demand cannot be considered as part of final demand, and thus cannot validly be expressed in terms of National Accounts, as a share of GDP generated by tourism.

C. Guidelines in the compilation of aggregates and tables

4.103 It is difficult to give precise and unique guidelines for the compilation of aggregates and tables, since for each country this will depend upon the following considerations:

a. The overall importance of tourism in its different forms to the economy. For some countries, domestic tourism will have a relatively reduced importance and might be given a low priority while in others it constitutes the most important part of tourism and cannot be left to second place.

b. The overall importance of same-day visitors as compared to tourists. For some countries, same-day visitors may be of minor interest, while other economies may depend heavily on the day-visits of cruise passengers.

c. The state of the statistics and statistical resources available to produce the National Accounts consistent with SNA93. Since the TSA, by definition, is appended to the system of National Accounts of a country, its elaboration is dependent on how extensive the country’s National Accounts are in conformance to SNA93. This TSA framework assumes that a country has complete production accounts according to SNA93, and fairly good detail of transactions and transactors.

d. The statistics available on tourism activity to, from and within the compiling economy, and particularly on the details of visitors consumption.

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11 SNA93, Ch. XXI
12 TSA 4.83, 4.90 and 4.96
e. Knowledge of how travel agencies and tour operators (both residents and non-residents) operate in the compiling economy, their relationships to other activities, their accounting practices and their accounts.

f. Detailed knowledge of non monetary transactions and particularly of transfers in kind by government and social security systems, so that it is possible to identify those benefiting visitors.

g. Detailed information on productive activities, both market and non-market, and particularly on services most demanded by visitors. This should include detailed statistics on output, inputs, value added, employment, produced assets and fixed capital formation;

h. The technical and financial resources devoted to elaborating the TSA: the elaboration of a TSA requires special qualifications from the personnel involved in the project, as they must have expertise in various fields of economic statistics such as in national accounts, and in tourism statistics and in basic statistical procedures.

4.104 In all cases, it is recommended to initiate the process of compilation of a TSA by a feasibility study where the special needs of the compiling economy would be identified, and matched with the statistical possibilities of the project. In this study, it would be desirable to identify separately the different processes of bench marking, and the compilation in current years through estimation procedures.

4.105 Having given these preliminary warnings, the general criteria which can direct the elaboration of a Tourism Satellite Account follow:

a. Give all priority in compilations to monetary transactions. From this perspective (which corresponds to the present national practices) and even if the TSA defines “Tourism internal consumption” as a basic aggregate (which also includes the non-monetary component of tourism consumption) 13, its estimate can be obtained in a given country (such as in the traditional procedure followed by France) from successive approximations in its coverage, in the same way as Central Banks proceed with respect to the Money Supply as an aggregate. This is a form of approaching the targeted magnitude, which is not always attained for lack of information and/or limitations in the availability of sufficiently disaggregated data, but because it might be due to practices or analytical interests of strictly national interest.

b. The quality of the TSA depends heavily on the level of detail in which the compilation can be made. If activities are not identified with sufficient precision, then the compilation of value added by productive activity and the tourism share of this may be quite “gross” rather than precise. The same occurs if the product composition of tourism consumption is elaborated in very general terms (it might happen there

---

13 TSA 2.47
is not sufficient data available so that the composition of expenditure according to the different forms of tourism has the same level of disaggregation of the products consumed.

c. Nevertheless a compilation, made even with relatively gross data and with an incomplete coverage of some of the basic tables, might help to indicate where more detail on consumption, output and processes of production is required in order to improve the quality of the compilation. The tables that are presented suggest a minimal level of breakdown of activities and products and more detailed classifications are strongly recommended.

d. Usually, countries should try to compile the first set of six tables for the most representative form of tourism, and only include same-day visitors once a complete compilation of first priority tables has been completed. As a result of such compilation, TVA and Tourism GDP would not be complete as they do not refer to the whole coverage of tourism consumption and it should be noted as observation to the results.

4.106 This would be, for the moment, a pilot exercise from the perspective of the proposed TSA. This exercise would need, in any case, the implementation and the cooperation of National Statistical Offices (in respect to the coverage of the estimated aggregates with a level of insufficient statistical information owing to the inexperience of the responsible technical team, etc.). Attempting to elaborate an initial estimate of the main aggregates proposed in the present conceptual framework would be a useful way of highlighting the importance of tourism as a factor of economic development, and would underline the need to initiate the required statistical tasks in order to improve this first rough estimate of the economic impact of tourism, etc.

D. Tables
### TABLE 1

Inbound tourism consumption by products
(monetary transactions)
(gross valuation and net valuation of package tours)

<table>
<thead>
<tr>
<th>Products</th>
<th>gross valuation</th>
<th>net valuation of package tours(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>same-day</td>
<td>tourists</td>
</tr>
<tr>
<td>A. Specific products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Characteristic products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodation</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Hotel and other lodging services</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Second homes services on own account or for free</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Food and beverage serving services</td>
<td></td>
<td></td>
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<tr>
<td>Passenger Transport</td>
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<tr>
<td>interurban railway transport service</td>
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<td>road transport services</td>
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<td>water transport services</td>
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<td>air transport services</td>
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<td>support services</td>
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<tr>
<td>Travel agency , tour operator and tourist guide services</td>
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<tr>
<td>travel agency services</td>
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<td>tour operator services</td>
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<tr>
<td>tourist information and tourist guide services</td>
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<tr>
<td>Transport equipment rental</td>
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<td>Recreation and other entertainment services</td>
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<tr>
<td>services</td>
<td></td>
<td></td>
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<tr>
<td>B. Non specific products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>goods(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>services</td>
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</tr>
</tbody>
</table>

| TOTAL monetary tourism consumption | | | | | |
| net difference on package tours(3) | X | X | X | | | |

Comparable total

| number of arrivals | |
| number of days/overnights | |

X does not apply

(1) In a gross valuation of package tours, all components of the value of package tours are included within inbound consumption

In a net valuation of package tours, only the components provided by residents are included.

(2) Relates to the value of the goods bought by the visitor at acquisition prices.

(3) Global difference in value between a gross valuation and a net valuation in package tours.
## TABLE 2

Domestic tourism consumption by products  
(monetary transactions)  
(gross valuation and net valuation of package tours)

<table>
<thead>
<tr>
<th>Products</th>
<th>gross valuation</th>
<th></th>
<th></th>
<th>net valuation of package tours</th>
<th></th>
<th></th>
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<td>total visitors</td>
<td>same-day visitors</td>
<td>tourists</td>
<td>total visitors</td>
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<tr>
<td>A. Specific products</td>
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<td></td>
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<tr>
<td>Characteristic products</td>
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<tr>
<td>Accommodation</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
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</tr>
<tr>
<td>Hotel and other lodging services</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second homes services on own account or for free</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Food and beverage serving services</td>
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<td></td>
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<tr>
<td>Passenger Transport</td>
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<td></td>
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<tr>
<td>interurban railway transport service</td>
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<td>road transport services</td>
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<td>water transport services</td>
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<td>air transport services</td>
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<tr>
<td>support services</td>
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<tr>
<td>Travel agency , tour operator and tourist guide services</td>
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<td>travel agency services</td>
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<td>tour operator services</td>
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</tr>
</tbody>
</table>

X does not apply

(1) Relates to the value of the goods bought by the visitor at acquisition prices
### TABLE 3

Outbound tourism consumption by products

*(monetary transactions)*

*(gross valuation and net valuation of package tours)*

<table>
<thead>
<tr>
<th>Products</th>
<th>gross valuation</th>
<th>net valuation of package tours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>same-day</td>
<td>total visitors</td>
</tr>
<tr>
<td></td>
<td>resident</td>
<td>non resident</td>
</tr>
<tr>
<td></td>
<td>provider</td>
<td>provider</td>
</tr>
<tr>
<td></td>
<td>tourists</td>
<td>total visitors</td>
</tr>
<tr>
<td></td>
<td>resident</td>
<td>non resident</td>
</tr>
<tr>
<td></td>
<td>provider</td>
<td>provider</td>
</tr>
<tr>
<td>A. Specific products</td>
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<td></td>
</tr>
<tr>
<td>Accommodation</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Hotel and other lodging services</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Second homes services on own account or for free</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>B. Non specific products</td>
<td></td>
<td></td>
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<tr>
<td>Passenger Transport</td>
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<tr>
<td>interurban railway transport service</td>
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<td>road transport services</td>
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<td>water transport services</td>
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<td>air transport services</td>
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<td>support services</td>
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<tr>
<td>Travel agency, tour operator and tourist guide services</td>
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<td>travel agency services</td>
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<tr>
<td>tour operator services</td>
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<tr>
<td>tourist information and tourist guide services</td>
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<tr>
<td>Transport equipment rental</td>
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<tr>
<td>Cultural services</td>
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<tr>
<td>Recreation and other entertainment services</td>
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<tr>
<td>Connected products</td>
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<tr>
<td>goods (1)</td>
<td></td>
<td></td>
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<tr>
<td>services</td>
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</tr>
</tbody>
</table>

| TOTAL                                                                   |                 |                                |
|                                                                         | number of arrivals | number of days/overnights |

X does not apply

(1) Relates to the value of the goods bought by the visitor at acquisition prices
### TABLE 4 a
Tourism consumption by products and forms of tourism
(monetary and non monetary)
gross valuation

<table>
<thead>
<tr>
<th>Products</th>
<th>Inbound tourism consumption (monetary trans.)</th>
<th>Domestic tourism consumption (monetary trans.)</th>
<th>Outbound tourism consumption acquired from resident prov. (mon. trans.)</th>
<th>acquired from non-residents prov. (mon. trans.)</th>
<th>Tourism consumption total non monetary transactions acquired from residents</th>
<th>acquired from non-residents</th>
<th>Total tourism internal consumption (1)+(2)+(3)+(5)</th>
<th>Total tourism consumption (1)+(2)+(3)+(4)+(5)+(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Specific products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Characteristic products</td>
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<td>Accommodation</td>
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<td>Hotel and other lodging services</td>
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<tr>
<td>Second homes services on own account or for free</td>
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<tr>
<td>Food and beverage serving services</td>
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<td>Passenger Transport</td>
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<td>interurban railway transport service</td>
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<td>road transport services</td>
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<td>water transport services</td>
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<td>air transport services</td>
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<td></td>
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<tr>
<td>support services</td>
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<td></td>
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<tr>
<td>Travel agency , tour operator and tourist guide services</td>
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<tr>
<td>tour operator services</td>
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<td></td>
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<tr>
<td>tourist information and tourist guide services</td>
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<td></td>
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<td>Transport equipment rental</td>
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<tr>
<td>Cultural services</td>
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<td></td>
</tr>
<tr>
<td>Recreation and other entertainment services</td>
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<td></td>
</tr>
<tr>
<td><strong>B. Non specific products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>goods (1)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>services</td>
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<tr>
<td><strong>TOTAL</strong></td>
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</tr>
</tbody>
</table>

X does not apply

(1) Relates to the value of the goods bought by the visitor at acquisition prices
### TABLE 4 b
Tourism consumption by products and forms of tourism
(monetary and non monetary)

*net valuation*

<table>
<thead>
<tr>
<th>Products</th>
<th>Inbound tourism consumption (monetary trans.)</th>
<th>Domestic tourism consumption (monetary trans.)</th>
<th>Outbound tourism consumption acquired from resident prov. (mon. trans.)</th>
<th>acquired from non-residents prov. (mon. trans.)</th>
<th>Tourism consumption total non monetary transactions acquired from residents</th>
<th>acquired from non-residents</th>
<th>Total tourism internal consumption (1)+(2)+(3)+(5)</th>
<th>Total tourism consumption (1)+(2)+(3)+(4)+(5)+(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Specific products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Characteristic products</td>
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<tr>
<td>Accommodation</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel and other lodging services(3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Second homes services on own account or for free</td>
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<td></td>
</tr>
<tr>
<td>Food and beverage serving services(3)</td>
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<td></td>
<td></td>
<td></td>
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<td>X</td>
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<td>Passenger Transport(3)</td>
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**X does not apply**

This net valuation refers to the adjustments of package tours, travel agency services and retail trade services

(1) Corresponds to total value received from visitors, packagers and other tourism services
(2) Corresponds to the margin of the packager
(3) The value is net of the amounts paid to travel agencies
## Table 5

Production accounts of the tourism industries  

*(net valuation)*

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<tr>
<th>Products</th>
<th>Hotels and similar</th>
<th>Second home ownership</th>
<th>Restaurants and similar</th>
<th>Passenger Rail</th>
<th>Passenger Road</th>
<th>Passenger water</th>
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**TOTAL output (at basic prices)**

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<th>Restaurants and similar</th>
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Compensation of employees

Other taxes less subsidies on production

Gross Mixed income

Gross Operating surplus

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**X** does not apply

*This net valuation refers to the adjustments of package tours, travel agency services and retail trade services*

(1) Corresponds to total value received from visitors, packagers and other tourism services

(2) Corresponds to the margin of the packager

(3) The value is net of the amounts paid to travel agencies

.... Each country can fill in with its own connected activities
### Production accounts of the tourism industries

*(net valuation)*

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<tr>
<th>Products</th>
<th>Transport equipment rental</th>
<th>Travel agents and tour operators</th>
<th>Entertainment and cultural services</th>
<th>Sports and recreation services</th>
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X does not apply

... Each country can fill in with its own connected activities

This net valuation refers to the adjustments of package tours, travel agency services and retail trade services

1. Corresponds to total value received from visitors, packagers and other tourism services
2. Corresponds to the margin of the packager
3. The value is net of the amounts paid to travel agencies
4. The retail trade margins on goods are presented separately
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<th>Gross Mixed income</th>
<th>Gross Operating surplus</th>
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<td>A. Specific products</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Characteristic products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Accommodation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel and other lodging services(3)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Food and beverage serving services(3)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger transport(3)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interocean transport services(3)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>road transport services(3)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water transport services(3)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support services</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel agency, tour operator and tourist guide services</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel agency services (1)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tour operator services (2)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel information and tourist guide services</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport equipment rental</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural services(3)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation and other entertainment services(3)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connected products</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail trade margins on connected goods</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>services</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Non specific products</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail trade margins on non specific goods</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>services</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Value of nationally produced goods net of retail margins

Value of imported goods net of retail margins

TOTAL output at basic prices

1. Agriculture, forestry and fisheries products
2. Ores and minerals
3. Electricity, gas and water
4. Manufacturing
5. Construction work and construction
6. Trade services, restaurants and hotel services
7. Transport, storage and communication services
8. Business services
9. Community, social and personal services

Total intermediate consumption (purchasers price)

Total gross value added of activities at basic prices

Compensation of employees
Other taxes less subsidies on production
Gross Mixed income
Gross Operating surplus

(….) means that all tourism industries have to be considered one by one in the enumeration

* Compile those services provided to the residents of a given country by a non-resident company in the economic territory of the compiling economy.
This net valuation refers to the adjustments of package tours, travel agency services and retail trade services
(1) Corresponds to total value received from visitors, packagers and other tourism services
(2) Corresponds to the margin of the packager
(3) The value is net of the amounts paid to travel agencies

\[
TVA = \sum (\text{tourism share}) \times (\text{activity value added})
\]

Tourism GDP = TVA + \sum (\text{tourism share}) \times (\text{taxes less subsidies on products})
Table 7

Employment in the tourism Industries

<table>
<thead>
<tr>
<th>Tourism industries</th>
<th>Number of establishments</th>
<th>Number of jobs</th>
<th>Status in employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>employees</td>
<td>other</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Accommodation activities</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Hotels and similar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second homes ownership</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restaurants and similar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger transportation</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Passenger Rail</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Road</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Water</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Air</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport supporting services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport equipment rental</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel agents, tour operators and tourism guide</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment and cultural services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports and recreation services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total tourism industries</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### TABLE 8
Tourism gross fixed capital formation

<table>
<thead>
<tr>
<th>Products of capital</th>
<th>Tourism specific produced fixed assets</th>
<th>Total gross fixed capital formation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net acquisition of or improvements to</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tourism specific produced fixed assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total gross fixed capital formation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dwellings used for tourism purposes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(second homes)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other buildings and structure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hotels and other collective accommodation</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Restaurants and similar buildings</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Construction for sport and recreation</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Museums and Cultural Centers</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Restoration of historical or other sites to be visited by tourists</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Construction and infrastructure required for the proper operation of transport by air, water, rail, road (1)</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Machinery and equipment</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Specific equipment for hotels and public accommodation</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Specific equipment for restaurants and similar</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Equipment for the commercial transport of passengers by road</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Other specialized equipment</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Improvement of land used for tourism purposes</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Net acquisition of other produced fixed assets</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Other buildings and structure</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Other transport equipment</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Other machinery and equipment</td>
<td>X</td>
</tr>
</tbody>
</table>

**X** Does not apply

(1) Due to conceptual and measurement difficulties as well as of the lack of experience in the area of functional analysis of the fixed capital formation of the public authority, the TSA for the time being will exclude, from the coverage of tourism gross capital formation, the investment in public infrastructure in relation to transport.
<table>
<thead>
<tr>
<th>Tourist collective non-market services</th>
<th>national level</th>
<th>regional (state) level</th>
<th>local level</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourist promotion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General planning and coordination related to tourism affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation of statistics and of basic information on tourism</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration of information bureaus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control and regulation of establishments in contact with visitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific control to inbound visitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special civil defence services related with the protection of visitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>76</td>
</tr>
</tbody>
</table>
### Table 10 a
Physical indicators

#### a. Number of arrivals and overnights by forms of tourism and categories of visitors

<table>
<thead>
<tr>
<th></th>
<th>Inbound tourism</th>
<th>Domestic tourism</th>
<th>Outbound tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>same-day</td>
<td>same-day</td>
<td>same-day</td>
</tr>
<tr>
<td></td>
<td>visitors</td>
<td>visitors</td>
<td>visitors</td>
</tr>
<tr>
<td>Arrivals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nights</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### b. Main means of transport (for inbound tourism)

<table>
<thead>
<tr>
<th>Means of transport</th>
<th>Number of arrivals</th>
<th>Number of overnights</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Air</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Scheduled flights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Non scheduled flights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 Other services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Waterway</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Passenger lines and ferries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Cruise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3 Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Land</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Railway</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2 Motor coach or bus and other public road transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3 Private vehicles (with capacity up to eight persons)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4 Vehicle rental</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.5 Other means of land transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### c. Forms of accommodations

<table>
<thead>
<tr>
<th>Accommodations</th>
<th>Collective tourism establishments</th>
<th>Private tourism accommodation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hotels and similar</td>
<td>Others</td>
</tr>
<tr>
<td></td>
<td>number of establishments</td>
<td>capacity (rooms)</td>
</tr>
<tr>
<td></td>
<td>capacity (beds)</td>
<td>capacity utilization (rooms)</td>
</tr>
<tr>
<td></td>
<td>capacity utilization (beds)</td>
<td></td>
</tr>
</tbody>
</table>
Table 10 b

Number of establishments according to number of employed

<table>
<thead>
<tr>
<th>Characteristics and connected activities</th>
<th>1-4</th>
<th>5-9</th>
<th>10-19</th>
<th>20-49</th>
<th>50-99</th>
<th>100-249</th>
<th>250-499</th>
<th>500-999</th>
<th>&gt;1000</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristic activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accommodation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotels and similar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second homes ownership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Restaurants and similar</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Passenger transportation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Rail</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Road</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Air</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport supporting services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transport equipment rental</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Travel agents, tour operators and tourism guide</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Entertainment and cultural services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sports and recreation services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

... Each country can fill in with its own connected activities
V. Further developments

5.1 It has already been indicated \(^1\) that “the conceptual framework” developed for the preparation of the TSA has taken into account quite different possible scenarios, such as the countries that already have a TSA, those that are in the process of elaborating one, as well as those that wish to elaborate one in the near future. From this point of view, the WTO considered it necessary to clarify that all the possible circumstances could be reduced to two basic scenarios, and consequently, the design of the conceptual framework could refer any of these scenarios.

The first scenario is the one that corresponds to the present time, determined both by the basic statistical data available, and by the experience of National Statistical Offices in the field of National Accounting. The corresponding development of the TSA is summarized in Chapters II, III and IV and using this basis, the WTO believes that it will be possible to establish a central core of tables aggregated to the effects of international comparability”.

5.2 This chapter presents a vast array of extensions to the proposed Tourism Satellite Account framework, which aims to respond to the interest of the National Tourism Administrations to handle a great variety of instruments of observation and analysis. For some countries, these developments might have a high degree of priority once they have compiled some or the complete set of the proposed tables.

5.3 It must be emphasized that such developments only represent the initial possibilities provided by the proposed TSA, and only attempt to be an illustration of the broad field of analysis offered by the system.

5.4 Within the same conceptual framework that has been admitted at the basis of the system (in fact, the adoption of the same production boundary as National Accounts), many extensions of the system are possible, into three main directions. (see figure 5.1).

\(^1\) TSA ¶ 1.7
5.5 The first refers to the possible extensions of the basic classifications referring to visitors according to some characteristics of special interest for the analysis of the economic impacts of tourism, as well as that of products and activities associated to tourism.

5.6 It is also possible to extend the scope of the definition of tourism consumption, which would include a broader array of expenditure, and that of tourism demand which would, as a consequence, also expand the scope of the reconciliation between tourism demand and tourism supply.

5.7 The TSA could also incorporate more variables of interest (as is the case of employment, in order to allow for the analysis of the labor market in tourism industries), modify its temporal and spatial reference (and thus incorporate quarterly and regional accounts) and consider extended functional analysis (by developing Input-Output Tables). Finally, the TSA could broaden its conceptual framework in order to incorporate the sectoral focus.

5.8 Finally, it must be pointed out, that this vast array of further developments, although statistical by nature and clearly referred to SNA93, do not correspond actually to the standard production of National Statistical Offices (NSOs). Consequently, those bodies should be receptive to accelerate this process that will lead, in the future, to the development of coordinated methodologies in order to achieve international comparability.
A. Basic classifications regarding visitors, products and activities

5.9 In the proposed TSA, the only breakdown that has been suggested regarding visitors is a classification according to the duration of the trip, where same-day visitors and tourists are systematically separated. Various sub-classifications might be added, the relevancy of which, in each case, depends on the characteristics of tourism in a country and the types of analyses the authorities are interested in.

5.10 For example, distinguishing between visitors on business from those traveling for pleasure or other purposes can be quite revealing. Some countries may be interested in differentiating the behaviors of transit passengers from that of other same-day visitors. Other countries may be interested in focusing on those inbound visitors who are nationals of the country of compilation but who reside permanently in another country. Other countries might be interested in separating those visitors coming on a package tour from those traveling on their own itineraries.

5.11 Such extensions are possible within the proposed TSA. In each case, columns and lines can be added to the tables and accounts that figure in some of the basic tables.

5.12 Regarding classifications of products and activities, various issues have to be discussed.

5.13 TSA conceptual framework provides a classification of goods and services into tourism specific goods and services and other, non-specific goods and services. Goods and services specific to tourism are also broken down into tourism characteristic and tourism connected ones. Tourism characteristic goods and services (see Annex 4) have been defined centrally, providing for international comparability, at a rather high level of aggregation (usually, at the level of groups, (3 digits of CPC rev 1) with the exception of travel agency, tour operator and tourism guide services, where a level of 5 digits (subclass) is required.

5.14 This level of aggregation is quite high, with two important drawbacks: it includes a lot of items which, when looked at carefully, are not related to tourism; on the other hand, items, at say, level 5 or 6 of the classification, might be of high tourism interest, but excluded as part of three digit levels considered mostly of non-tourism interest.

5.15 Thus, studying and observing products with a higher degree of detail might modify the coverage of those categories of products considered as tourism characteristic, tourism connected and non-tourism specific.

5.16 The same situation occurs in the case of activities: for the sake of the proposed TSA, and in order to take into consideration the statistical difficulties of most countries in obtaining a detailed breakdown of products and activities, the recommendation has knowingly been too “gross” in classifying into the categories of characteristic and connected.
5.17 With respect to the classification of tourism consumption by products that have been proposed in the TSA, the classification is based on the nature of the products acquired by visitors, but the SNA93 also contemplates a classification of household consumption based on the purpose or aim of the expense, called “Classification of Individual Consumption by Purpose” (COICOP). 2

5.18 The visitor must move from his usual environment and must provide for his basic needs: nourishment, leisure, recreation, healthcare and whatever other aim or purpose related to his trip. A classification of tourism consumption by purpose aims to show the expense incurred from this functional perspective.

5.19 The elaboration of the classification, in conjunction with the COICOP, should allow the identification of the visitor’s expenses, at least for the following groups:

a). Food and drinks
b). Accommodation
c). Transport
d). Package tours
e). Recreation and leisure
f). Culture and education
g). Health
h). Other goods and services.

5.20 An important progress in the insight of the phenomenon of tourism consists thus in improving the degree of detail of the classifications of products and activities, and in the identification of the different tourism related categories.

5.21 This will be done at the international level, as soon as more countries apply the international recommendations, but progress can already be done at national level.

B. The scope of tourism demand and tourism supply

5.22 In the TSA, the focus is on tourism consumption from the demand point of view, and on the direct servicing to visitors on the supply point of view. Extensions can be considered in both aspects.

5.23 The scope of tourism consumption can be extended, in order to include other acquisitions by households for tourism purposes, without betraying the relationship to SNA93 concepts, but only within an expansion of the concept of tourism as a purpose; this will be described in the first subheading.

5.24 Tourism demand can substitute tourism consumption as the indicator of tourism from a demand point of view: there is no duplication within this indicator, and it reflects more broadly the overall impact of the tourism activity on the economy; this will be described in the second subheading.

5.25 Finally, regarding supply, if in the first place, tourism has an effect on the distribution of goods to certain categories of consumers, it is true also that it

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2 SNA93 ¶18, 1-7-8 Table 18.1
has an effect on the supply of such goods, through production or imports, either for tourism consumption, or for other components of demand.

5.26 As a consequence, a new level in the reconciliation of tourism demand and supply emerges, with an amplified concept of tourism value added, due to an amplified concept of demand that generates, in turn, a larger concept of supply in order to include the new productive activities leading to goods and services that are used for tourism collective consumption and by tourism gross fixed capital formation.

B.1. The scope of tourism consumption

5.27 If we recall the definition of tourism consumption in the proposed TSA as “the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination”, it makes clear that for a consumption expenditure to be included into tourism consumption, the reference to a trip must exist. The unique admitted exception to this principle refers to the housing services on own account generated by tourism second homes.

5.28 The extension of the scope of the TSA refers to the case of consumer durable goods. For the TSA, a tourism consumer durable good could be defined as a consumer durable good that may be used for purposes of tourism repeatedly or continuously over a period of a year or more. These tourism consumer durables of significant unit value are of two main categories:

a. Consumer durables used solely or almost solely on trips away from home, such as recreational vehicles, and ski equipment for someone living in a tropical zone; these are called “single-purpose tourism consumer durable goods”;

b. Consumer durables partially used on trips away from home, but also partially used within the usual environment; these are termed, “multi-purpose tourism consumer durable goods”;

5.29 There are some of these consumer durable goods, of significant unit value, that household might purchase outside the context of any predictable trip, but nevertheless considering as a possibility and factor of decision their use during trips. The decision of buying a durable of significant unit value usually is taken long in advance, and might not coincide with any clearly planned predictable trip. Vehicles might be purchased, taking into account the convenience of having such a vehicle for long distance trips. A video camera, some complex sports gear, might be of little use at home, but might have been purchased thinking on the eventuality of trips... It might be said that tourism has been taken into account in the decision making process. Therefore, extensions of the scope of tourism consumption are possible, based on an extended perception of tourism as a purpose.

3 SNA93, ¶9.38
5.30 Each country should determine the tourism consumer durable goods of significant unit value that its residents are likely to purchase for one or more trips and classify them in one of these two categories.

5.31 **Extension E1** (of the coverage of tourism consumption) would thus include, besides the consumption expenditure included in the basic definition, the acquisition by visitors before or after the trip of all single purpose tourism consumer durable goods of significant unit value during the accounting period. Registration of this kind of acquisitions does not rise any problem.

5.32 Regarding multi-purpose tourism consumer durable goods, of significant unit value acquired before or after the trip during the reference period, it refers to a second elaboration which requires an estimation procedure and which presents a special problem, that of estimating the proportion of the value of the purchases to be attributed to tourism consumption. Implicitly, this proportion is related to the usage of the goods that occurs on trips away from the consumer’s usual environment.

5.33 Within this context, **extension E2**, adds the appropriate value of those multipurpose consumer durables of significant unit value to E1. The allocation procedure and the assumptions used should be clearly stated.

5.34 It is clear that such extensions of the definition of tourism consumption only refer to purchases made in the compiling economy. As a consequence, it has no effect whatsoever on the measurement of inbound tourism consumption since such extensions would occur in the country of residence of the visitor and are thus outside the scope of the compilation. These adjustments have little effect on the aggregate of consumption where inbound tourism consumption is the main component of tourism internal consumption.

5.35 It should also be recalled that in the case of tourism consumer durable goods, resale by households of such used goods might occur. This resale should be treated as a negative consumption, in the period in which such resale occurs, and should be valued for the sales price.

5.36 As a result of these extensions of the definition in tourism consumption, some of the tables might differ from those established for the basic definition. An extension of the aggregates of Tourism Value Added and Tourism GDP might also be generated.

5.37 Figure 5.2 shows the relationship between the basic definition of tourism consumption and the two extensions.
Figure 5.2
Relationship between the different coverage of tourism consumption

B.2. Substituting tourism demand for tourism consumption

5.38 The concept of tourism demand has been introduced in the proposed TSA: besides tourism consumption, which is the demand most directly associated with the activity of visitors, there are other components which are clearly strongly related to this activity: the tourism gross fixed capital formation, which allows a response in a dynamic perspective, to this demand in the future, and tourism collective consumption, which provides the institutional context within which this activity of visitors can develop.

5.39 If tourism demand has not been proposed, for the time being, as an indicator of the size of tourism, it is because of the difficulties to measure the components different from tourism consumption. In order to be able to solve these difficulties, it should be advisable that National Statistical Offices (NSOs) propose criteria to assign, according to different functions, the expenditure associated to collective consumption and the expenditure related to the gross capital formation of Governments. This is the only way for the TSA to offer all its analytical possibilities.

5.40 Once these difficulties, conceptual and statistic, have been resolved, tourism demand could validly be used as an additional typical aggregate, combined with the different coverages of tourism consumption.

Basic definition: total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination

Single purpose tourism consumer durable goods of important unit value purchased before or after the trip

Allocated portion of the value of multipurpose tourism consumer durable goods of important unit value purchased before or after the trip

E1

E2
B.3. Expanding the notion of tourism supply

5.41 In the present conceptual framework, only productive activities in direct contact with the visitor have been considered as tourism productive activities. This restriction can be suspended, if we consider that the supply of goods to be sold to visitors is also affected by tourism consumption. Additionally, extending the demand aspect of tourism to include tourism gross fixed capital formation and tourism collective consumption necessarily conduces to the withdrawal of this restriction on the production of goods.

5.42 As a consequence of using such extended notions of demand and of supply, the concepts of (extended) tourism value added and (extended) tourism GDP are strongly altered as well as the tables that have been proposed for their measurement. An additional difficulty surges in this computation, due to imported goods which can be purchased within the domestic economy but are not produced domestically.

C. Variables and tables

5.43 In the proposed TSA, tables are restricted to the main variables associated with tourism: consumption, supply meeting this consumption, employment, gross fixed capital formation, tourism collective consumption, and tourism demand.

5.44 Nevertheless, some of those need to be studied with greater deepness, as for instance employment, which is only grossly referred to; other, combining differently existing information, might give different insights on tourism, as for instance the effect of tourism on the external balance of goods and services, tourism might also be seen as a source of income for the public authority; a broader point of view might also be used to look at the effect of tourism demand on the economy: all these aspects will be briefly introduced, in order to make clear that the proposed TSA will be able to respond in the near future to a vast array of concerns.

C.1. The employment module

5.45 Variables and tables regarding employment can be added to the TSA and cover the number of jobs, the composition of the labor force, working time and other working conditions, and tourism shares of employment in the different activities.

5.46 In view of the important employment effects of tourism development and its socio-political dimensions, countries may wish to give labor related variables more attention. The full volume of information needed in this area requires the development of a special module on employment as an integral part of the
Tourism Satellite Account. Connecting an employment module with the TSA gives more insight in the total volume of employment; therefore, the importance of tourism activities (e.g. employment and output) can be “translated” by a supply-side driven approach in structural characteristics (e.g. employment profiles, job qualification, etc.)

5.47 Beyond the volume of work done in tourism industries, some of the key variables will refer to the number of persons employed, the types of their jobs and the respective working conditions. They are such as gender and age; nationality; number of hours worked per given period and working time scheme; status in employment; education level; salary; duration of stay in one job).

5.48 A proposal for an employment module has been developed by the OECD Tourism Committee and is under consideration to be appended to the present conceptual framework in the near future.

5.49 It should contain a specific statistical framework and methodological guidelines to establish the size and some characteristics of employment in tourism industries.

C.2. Effect of tourism on the external balance of goods and services

5.50 Tourism has major effects on the Balance of Payments of countries that are important international tourist destinations. These effects are more complex than seen by looking merely at receipts and expenses in foreign currency resulting from the current expenditure of visitors inside the country or abroad. Attracting inbound foreign visitors and serving them may require imports of goods and services into the national economy, to be consumed directly as such (e.g., alcoholic beverages, or gasoline), or to be transformed (e.g., food stuff for restaurants) or as fixed capital goods which are not readily produced or available in the compiling country. Residents traveling as visitors in the domestic economy may also require imported goods or services.

5.51 As a consequence, even in the most simple analyses, the flows of goods and services resulting from tourism between the compiling economy and the Rest of the World is not only due to the tourism internal consumption but also to the inputs of imported fixed capital and intermediate consumption required for the adequate provision of goods and services to visitors.

5.52 The measures can be done globally, as a general aggregate, or can be established by products, classified into a classification derived form the general CPC classification. The net effect of tourism on the balance of goods and services can be recorded in the national currency of the compiling country, or be expressed in any international currency (e.g., US$, special drawing rights, euros).

4 SNA93 Ch. XVII. It is convenient to remind that, with SNA93, it is the first time that an international recommendation is made for the compilation of employment figures, as complement to the value figures which are presented in National Accounts: this clearly reflects the overall difficulty of the whole exercise.
5.53 Consistent with the measurements in Balance of Payments and in SNA93, flows are recorded following the principles of accrual accounting, and not cash accounting. Additionally, they do not refer to payments made in foreign currencies, but to transactions between residents and non-residents, irrespective of the currency or other financial instrument used in the transactions.

C.3. Effects of tourism on Government income

5.54 The increased demand generated by tourism justifies the special attention of governments towards fiscal policies more specifically oriented towards this segment of the market, considered (in some cases rightly) as more solvent than the rest of the local population, towards promotion policies and towards the measurement of the efficiency of such policies.

5.55 In all these cases, it refers to extensions of the analysis of the economic impacts of tourism that require a greatest involvement from National Governments.

5.56 The term “Government” is here taken in a general sense, which does not necessarily correspond to the institutional sector of general government of National Accounts. In effect, in some countries, functions that had been traditionally developed by the public authority have been gradually transferred to public enterprises, or even to the private sector, or to a joint venture between the government and private initiative.

5.57 These additional incomes are levied through three main channels corresponding to two categories of transactions: one is through the taxation of goods and services demanded by visitors and on the activities serving them, one is on the taxation of income generated by activities serving specially the visitors, and the other through special fees to visitors or activities serving them which entail a counterpart from the government and are treated in National Accounts as the purchase of special services.

5.58 Transactions are divided into two broad categories: taxes and other fees not classified as taxes.

5.59 Whatever the institutional organization, taxes are “compulsory, unrequited payments, in cash or in kind, made by institutional units to government units. They are transfers because the government provides nothing in return to the individual unit paying the tax, although governments do provide goods and services to the community as a whole or to other individual units or groups of units, depending on their general economic and social policy”.

5.60 But this might not be the case for the transactions considered as “other fees not classified as taxes” which, considered as sales of services, can be assigned as income to different type of institutions.

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5 SNA 93 § 8.43
D. Extension in the scope of the TSA

D.1. Extensions in space and time

D.1.1 Regional tourism satellite accounts

5.61 Intrinsically, tourism is concerned with a geographic dimension, as visitors are observed in their displacement in space, away from their usual environment.

5.62 This geographic dimension is first observed at a national level, at which basic statistics are usually compiled.

5.63 But it is clear that the local dimension is fundamental for the analysis of tourism and the design of policy, so that what visitors need, look for or might require, is effectively present where the demand will be felt.

5.64 As a consequence, the construction of Satellite Account at a sub-national level (region, province, city, etc.) is rapidly felt as a necessity: most of the tables that have been suggested in the proposed TSA can find their application at this most restricted level with appropriate adjustments.

5.65 Nevertheless, the difficulties of the exercise are even greater than at national level, mostly for the lack of structured regional Accounts to provide the reference framework, and the lack of statistical data.

D.1.2. Estimations procedures and quarterly tourism satellite indicators

5.66 The proposed TSA has been defined on an annual basis. Nevertheless, as in the case of National Accounts, this does not mean that all the data should be newly directly observed each year: many variables are obtained through estimations procedures, using indicators applied on structures and levels observed on benchmark years.

5.67 As a result, once a benchmark year has been estimated for the tourism satellite account, it is necessary to develop sets of mutually consistent estimates in order to compile accounts on a yearly basis.

5.68 Similar kinds of procedures can be established in order to estimate quarterly tourism satellite accounts, which might be of great analytical usefulness, due to the strong seasonality of the activity.

5.69 An enormous field of research and exchange of experience is thus opened on this specific issue of the development and use of meaningful indicators.
D.1.3 Supranational extensions

5.70 The proposed TSA is concerned with the economic consequences of visitors travelling to, from and within the compiling country. However, it is possible to extend the scope of transactions to be considered within tourism demand in order to take into account those included in such concept of tourism demand in any other part of the world resulting in a purchase of good or service provided by the compiling economy. The case of the air transportation of a visitor from country A to country B using an airline of country C could be an example of such extension for the tourism measurement of country C.

5.71 Within such an expanded concept of tourism, a country might produce some “tourism goods” that are exported to and used in the importing country, either as tourism consumption, that is, used by visitors there, or as fixed capital good specific to tourism. In this context, the concept of “tourism expenditure”, relying heavily on consumption expenditure of visitors in domestic, outbound and inbound tourism, does not reflect adequately the level of final demand generated by the phenomenon of supranational tourism, and new aggregates have to be proposed, in which the export component of good and services would be included.

D.2. Extensions in the functional analysis

5.72 The tables of supply and demand of goods and services of the SNA93, based on the statistical unit “establishments” have been the basis for establishing the tables of supply and tourism consumption of the TSA.

5.73 On the other hand, SNA93 indicates that “for a more refined analysis of the production process” an elaboration must be made of detailed “Input-Output Tables” for analytical purposes and economic projections. In this elaboration an analytical unit, called “homogeneous production unit” must be used, instead of the establishment. This unit is defined as “a unit of production in which only one productive activity is carried out” even if not always observable.

5.74 One extension of the analysis of the importance of tourism within an economy consists of considering not only the direct effects of tourism consumption on the activities which sell directly to visitors, but also the secondary effects on all other productive activities. Input-Output framework is well adapted to the representation and compilation of such direct and indirect effects and the “Supply and tourism consumption of services by products” (table 6 of the proposed TSA) is a necessary step towards the establishment of a Tourism Input-Output Table. This purpose requires the availability of an Input-Output Table of the national economy and detailed information on activities and tourism products, as well as some ad hoc information for its development.

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6 TSA ¶ 2.27
7 SNA93 ¶ 5.48
8 SNA93 ¶ 5.46
5.75 As a consequence, the economic aggregates characterizing tourism are significantly expanded over those related to the proposed TSA, where only direct effects of visitor consumption are considered.

D.3. Extensions in the institutional approach

5.76 The analysis of tourism from a supply point of view has focused in the proposed TSA, on producing units of the same kind as those used in the supply and use tables of SNA93, namely establishments. These units are enterprises or parts of enterprises for which complete data on the production processes in which they are involved are available, so that it is possible to compile complete production accounts, including information on output, intermediate inputs, labor inputs, fixed capital formation and identify the stock of fixed capital allocated to the process.

5.77 Nevertheless, if a country chooses to broaden the scope of the transactions considered within its TSA to include the allocation of incomes and payment of interests, dividends and rent on non-produced assets, as well as financial transactions, the use of the establishment as the statistical unit is inadequate. This is because the establishment is not the level at which decisions are made, financing is provided and serviced, and related information is recorded.

5.78 The use of an “institutional unit” defined in SNA93 as “an economic entity that is capable, in its own right, of owning assets, incurring in liabilities and engaging in economic activities and in transactions with other entities,” is more adequate for these purposes. Such units are independent centers of decisions regarding production, investment and financial behavior. They are grouped in institutional sectors and subsectors.

5.79 Using the institutional point of view permits a compiling economy to:

a. compare production costs and processes by establishments classified by economic activity (highlighting characteristic tourism activities) and according to the institutional sector to which they belong; this type of analysis might give insight on relative costs of production, according to the institutional sector of origin; levels of employment and of remuneration might also be compared;

b. establish and compare the use and redistribution of income according to principal productive activity and institutional subsector for the units belonging to the tourism sector, particularly payment of interests of expenditure made during and for trips, the property income paid and received, current taxes, and other economic transactions which are typical of this type of transactor;

c. establish the complete direct impact of tourism on the Balance of Payments including property income paid to foreign investors;

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9 SNA93, ¶4.2
d. establish the capital formation of the tourism industries, including fixed capital formation as well as transactions on intangible fixed assets and non-produced non-financial assets such as land.

D.3.1 The institutional unit as the basic statistical unit

5.80 In line with SNA93, “there are two main types of units in the real world that may qualify as institutional units, namely persons or groups of persons in the form of households, and legal or social entities whose existence is recognized by law or society independently of persons, or other entities, that may own or control them” 10 ... which engage in economic activities and transactions in their own right, such as corporations, non profit institutions or government units.

5.81 Tourism characteristic and connected activities can be identified in the two categories of institutional units. Households include for instance individual taxi driver owning their vehicle; family-owned and family-managed hotels, restaurants, and campgrounds; and artisans who produce and sell handicrafts.

5.82 In SNA93, resident institutional units are grouped by institutional sectors and subsectors according to their main source of income and their economic function, as follows:

- Non financial corporations
- Financial corporations
- General government
- Non profit Institutions serving households (NPISHs)
- Households

Units which are not residents of the compiling country and which engage in transactions with resident units of the country are considered as part of a pseudo institutional sector called “the rest of the world”. 11

5.83 Within this context, the “tourism sector” can be defined as the set of institutional units including all whose principal activity is a tourism characteristic productive activity. It is possible to establish a complete sectoral account for this tourism sector, covering the whole range of transactions and accounts included in SNA93. The sector defined in this way will include units belonging to any of the institutional sectors defined in SNA93.

5.84 Institutional units forming the tourism sector might belong to the following institutional sectors or subsectors defined in SNA93:

a. household (a small unincorporated producing unit such as an independent taxi operator);

b. public non-financial corporations;

10 SNA93, ¶4.3. See also ¶4.5
11 SNA93, ¶4.163
c. national private non-financial corporations;
d. foreign controlled non-financial corporations;
e. financial corporations;
f. institutionally part of general government, including units institutionally part (e.g., museums, libraries, concert halls) because its main income comes from current transfers from general government;
g. non-profit institution serving households (NPISH), because its main income comes from private transfers from non-government sources.

5.85 The variety in sectoral classifications permits to analyze the great diversity in structures of costs, expenditure and incomes. Foreign-owned units in the compiling country may have their operations defined by their parent companies. State-owned companies may be heavily dependent on the global development strategies of government. Households, on the other hand, might make few investments, require untrained labor and offer low levels of remuneration compared to businesses.

5.86 The accounts of the tourism sector following SNA93 principles present a series of aggregated accounts that can validly be compiled for all components of the tourism sector, classified according to the institutional subsectors to which the units belong. It can be compiled for the tourism sector as a whole, or for some particular subset, characterized by the principal economic function of its components. It allows to measure the effects of the institutional form on all the variables that are considered in the SNA93, such as output, value added, operating surplus, direct taxes, etc.

D.3.2. Extension of the concept of tourism capital formation

5.87 As the institutional unit is used, an extension of the TSA on capital formation can be achieved. In the proposed TSA, the analysis was restricted to produced non financial assets. The use of institutional units allows now to include in the analysis other classes of non financial assets, which also are important determinant of the possibility of producing for tourism. These non financial assets include not only the produced non financial assets, in specific or non specific goods and services, which are part of fixed capital formation, but also the acquisition less disposal of non-produced non-financial assets, whether tangible or intangible.

5.88 Non-produced assets consist of assets that are needed for production but have not themselves been produced. They include naturally occurring assets such as land and certain uncultivated forests and deposits of minerals. They also include certain intangible assets such as patented entities. 12

5.89 Only those naturally occurring assets over which ownership rights have been established and are effectively enforced can therefore qualify as economic assets. Secondly, in order to comply with the general definition of an

12 SNA93, ¶10.8
economic asset, natural assets must not only be owned but capable of bringing economic benefits to their owners. 13

Non-produced non-financial assets consist of "land, other tangible assets that may be used in the production of goods and services, and intangible assets. These intangible non-produced assets consist of patented entities, leases, or other transferable contracts, purchased goodwill and other intangible non-produced assets. Such leases are on land, subsoil assets and residential and non-residential buildings. The value of the acquisitions or disposals of leases or other transferable contracts recorded consists of payments made to the original or subsequent tenants of lessees when the leases or concessions are sold or transferred to other institutional units". 14

5.90 The inclusion of non-produced non-financial assets is particularly meaningful in the case of tourism, as it is well known the relevance of the value of land for instance in the investment in hotels, resorts and recreation sites. It is also unnecessary to underline the importance for investment in tourism activities and on the flow of tourism to certain hotels, restaurants, etc.. of the fact for them to be part of a chain of such premises, which generates transactions on leases, concessions, franchises, etc. This concept also covers time sharing schemes, which are of growing importance in the recreation market.

D.3.3. Global impact of tourism on the Balance of Payments

5.91 The use of the concept of tourism sector allows to go further in the analysis of the impact of tourism on the Balance of Payments, particularly because it provides the framework for the description and analysis of the flows of property income and of financial investment.

13 SNA93, ¶¶10.10-11
14 SNA93, ¶10.120
5.92 Property income paid takes the form of:

a. interests paid by resident companies belonging to the tourism sector on foreign loans, short term and long term;
b. distributed income of corporations which include dividends paid to non-resident shareholders by resident companies belonging to the tourism sector;
c. withdrawal from income of quasi-corporations which represent the withdrawals from their local branches by foreign-owned corporations, as well as the net imputed rent of the tourism second homes on own account when they are foreign-owned;
d. reinvested earnings on direct investment, which refer to profits of local branches which have not been transferred to the economy of the owner.

5.93 Similarly, property income received is made of:

a. interests paid to resident companies belonging to the tourism sector on foreign loans, short term and long term;
b. distributed income of corporations which include dividends received by resident companies belonging to the tourism industry as shareholders in non-resident companies;
c. withdrawal from income of quasi-corporations which represent the withdrawals from their foreign branches by corporations of the tourism sector, as well as the net imputed rent of the tourism second homes on own account of residents situated outside the economy of compilation;
d. reinvested earnings on direct investment, which refer to profits of foreign branches of companies belonging to the tourism industry which have not been transferred to the economy of compilation.

5.94 Financial investment in the tourism sector might take the form of loans (long term or short term), directly, or through international financial institutions, or of net acquisitions of shares and other equities. This also includes reinvested earnings on direct foreign investment.

5.95 The consideration of these elements are particularly important in the case of tourism, where the flows of foreign investments, in certain case, make up a great part of the financial investment in the field.
Annex 1: Basic references from *U.N. System of National Accounts* 1993 (SNA93)

A. The National Accounts

A.1.1 Since the early years of the post-war period, there have been many improvements in the conception of macro-economic information. If in the first years, most economists were satisfied with a few aggregated variables, this has changed considerably, and now the analysts require detailed information on the composition and structure of the different economic variables, and their relationship, which can now be observed as a result of more detailed statistical data. As a consequence, the compilation of National Accounts goes far beyond the estimation of GDP, overall and by activity. It now consists in the construction of a complex system of interrelated economic variables, from which the computation of GDP and its components can be established, but where this computation is no longer at the center of the process.

A.1.2 In this line, SNA 93 has adopted an accounting presentation for most of its tables and accounts, which is at the same time the center of consistency and that of analysis of the data. All products that are supplied must be used, an income for a unit is necessarily an outlay for another, and all valuations procedures have to be consistent within the accounts of a unit, and with those of the others. No valuation can appear without having its justification and its counterpart, somewhere in the system.

A.1.3 As a consequence, all the subsystems which derive from the core of SNA and are related to it should be established within the same principles and present faithfully the complexity of the economy beyond the sole calculation of a unique aggregate, and describe any phenomenon through a complete and mutually consistent set of variables, which complete one another and provide alternative views of what is described. This perspective should be kept in mind when designing the TSA.

B. National Accounts and Satellite Accounts

A.1.4 The international recommendations on National Accounts have experienced dramatic improvements in the last 40 years, from the compilation of a few aggregates with general scope, to the conception of a complex system of variables, which intends to reflect in a comprehensive way the interaction of economic agents within an economy.

A.1.5 SNA93 states:

The System of National Accounts (SNA) consists of a coherent, consistent and integrated set of macro-economic accounts, balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules. It provides a comprehensive accounting framework within which economic data can be compiled and presented in a format that is designed for the purpose of economic analysis, decision-taking and policy-
making. The accounts themselves present in a condensed way a great mass of
detailed information, organized according to economic principles and
perceptions about the working of an economy. They provide a comprehensive
and detailed record of the complex economic activities taking place within an
economy and of the interactions between the different economic agents, and
groups of agents, that take place on markets or elsewhere. 1

A.1.6 As a consequence, SNA93 records all economic transactions, and describes all
economic transactors, within classifications which globally meet the requirements
of major macro-economic analyses. The System provides a description that
allows simultaneously the analysis of transactions, that of transactors, that of the
relationship between these two concepts, and of their effect on the assets and
liabilities of the transactors.

A.1.7 Prior to SNA93, certain countries and institutions tried to generate links between
specific and general macro-economic approaches, in attempts to apply the
general concepts, methods and definitions of National Accounts to specific
economic activities, without betraying or distorting the economic reality and
focus proper to particular phenomena. France was the first country which
conceptually outlined, for specific types of economic phenomena including
tourism, the possibility of designing particular systems of economic information
appropriate to these fields, without losing the close link with the general
macroeconomic representation of the economy of the country inherent in the
National Accounts. France developed so-called “satellite accounts” for many
economic and social phenomena, linked to the core system of National
Accounts and sharing all or part of its principles of compilation, data, forms of
presentation and aggregates, while at the same time recognizing the relevance
of concepts and data proper to each phenomenon in its own right. This
approach was endorsed and formalized in SNA93.

A.1.8 SNA93 provides explicit recommendations regarding the construction of
functionally oriented Satellite Accounts for the study of particular economic
activities, which allow for:

a. The provision of additional information on particular social concerns of a
functional or cross-sector nature;

b. The use of complementary or alternative concepts, including the use of
complementary and alternative classifications and accounting frameworks,
when needed, to introduce additional dimensions to the conceptual
framework of national accounts;

c. Further analysis of data by means of relevant indicators and aggregates;

d. Linkage of physical data sources and analysis to the monetary accounting
system. 2

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1 SNA93, ¶1.1
2 SNA93, ¶21.4
A.1.9 SNA93 recommends compiling such accounts as internally consistent frameworks, in which an extension of the kind of activity and product analysis and a generalization of the purpose approach would be combined.

A.1.10 As a function is necessarily a characteristic attached to demand, SNA93 recommends to begin the compilation of a satellite account for a given field with deciding upon:

a. The goods and services that will be considered specific to this field, where national expenditure includes the uses (current or capital) of these specific product;

b. The activities for which fixed capital formation will be recorded. 3

A.1.11 The recommendations emphasize that the compilation of the Satellite Account supposes that specific goods and services and characteristic activities have been defined. Two types of specific goods and services should be determined: characteristic goods and services, and connected goods and services.

The first category covers the products that are typical for the field under study. We are interested in studying the way these goods and services are produced, what kinds of producers are involved, and what kinds of labor and fixed capital they use. 4

The second category, connected goods and services, includes products in whose uses we are interested because they are clearly covered by the concept of expenditure in a given field, without being typical, either by nature or because they are classified in broader categories of products.” 5

In a satellite account the main emphasis when looking at production is on the analysis of characteristic activities and producers. Characteristic goods and services are typical of the field under study. The activities in which they originate are called characteristic activities, and producers who carry out a characteristic activity are said to be characteristic producers. 6

Characteristic producers may be defined in various ways. Ideally, they are units of homogeneous production belonging, either to establishments whose principal activity is a characteristic activity, or to establishments which carry out a characteristic activity only as a secondary activity. For the sake of convenience, establishments whose principal activity is a characteristic activity may be covered totally, including their non-characteristic secondary activities. 7

Production activity of characteristic producers is studied in detail. This covers the production and generation of income accounts, the analysis

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3 SNA93, ¶21.53
4 SNA93, ¶21.61
5 SNA93, ¶21.62
6 SNA93, ¶21.98
7 SNA93, ¶21.99
of output by kind of products and number of units produced, the destination of this output (consumption, fixed capital formation, exports) and the labor and fixed assets used. As to labor, in addition to compensation of employees, which may be subdivided according to various criteria (such as skill and sex), the number of people employed is shown in detail, again according to various criteria. Fixed capital formation is covered. Stocks of fixed assets in monetary value and/or physical quantities (number of hospital beds, of primary schools, etc.) are essential.

A.1.12 For characteristic products and activities, complete input-output tables should be established where these products and these activities would be shown in detail, while the rest of the economy would be simplified.

A.1.13 Finally, detailed accounts for institutional units involved in the activity should be presented, and the corresponding transactions highlighted.

A.1.14 Globally, the recommendations are rather flexible, so that, for a given area of interest, various possibilities exist to design a Satellite Account adapted to its analysis, including extension of the production boundary. It is thus necessary to define which objectives will be given higher priority in the development of a Tourism Satellite Account.

C. The concept of residence and the account of the Rest of the World

A.1.15 In the development of SNA93 and of the 5th version of the Manual on Balance of Payments, consistency has been reached and emphasized between the principles and representations of the System of National Accounts and of the Manual of Balance of Payments.

A.1.16 Residence, a character attached to an institutional unit, has been clearly defined and based on the location of the center of principal economic interest of this institutional unit. As National Accounts and Balance of Payments are systems to be applied at a national level, they focus in defining the country of residence. Residence characterizes an institutional unit as a whole, and in the case of persons, the household to which they belong: it is not a characteristic assigned to each individual, according to his/her own particular conditions: all individuals belonging to the same household have the same residence.

A.1.17 The Rest of the World, although appearing in the tables and accounts as an institutional sector, does not have the same nature. It only represents the counterpart of all transactions of residents with non-residents. As a consequence, no functional analysis of the transactions of the Rest of the World can be presented in the national accounts of a given economy. There is no way to develop a consumption function or a production function for the Rest of the World, as all institutional units which have relationship with residents are aggregated, and no transactions between non-residents are to

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8 SNA93, ¶21.100
be recorded. The only transactions of non-resident that can be presented functionally by a compiling country are those of non-resident visitors in the economic territory of the compiling economy, because in this case, the actual non-resident transactors can be identified, and their condition as visitors can be established. It must be stressed that, due to this definition of the Rest of the World, the only transactions regarding the Rest of the World in the National Accounts of an economy are those in which non-resident transactors are involved with resident transactors 9.

A.1.18 The consistency of National Accounts and Balance of Payments also encompasses the valuation principles. The transactions that are recorded in the accounts of the Rest of the World refer to transactions between resident and non-resident units, irrespective of the means of payment that has been used to clear the transaction. These may be foreign currency, national currency, or any other acceptable counterpart. Additionally, for both systems, transactions are valued according to complete accrual accounting, and not cash accounting.

D. The production boundary

A.1.19 The production boundary defines the scope of the measurement concerning productive activities, production, and thus also determines the scope of the demand for products (goods and services) as only items that can be produced (in the sense given to this activity in National Accounts) can be included within the concept of consumption. If a system of information “satellite” to National Accounts is designed to share with the core system measurements such as Value Added and GDP, consistency on the production boundary must be maintained. It is this option that has been selected for the conceptual framework for a TSA that is here presented.

"In the System, production is understood as a process, carried out under the responsibility, control and management of an institutional unit, in which labor and assets are used to transform inputs of goods and services into outputs of other goods and services. All goods and services produced as outputs must be such as they can be sold on markets or at least be capable of being provided by one unit to another, with or without charge." 10

"The System includes all production of goods for own use within its production boundary... but it excludes all production of services for own final consumption within households (except for the services produced by employing paying staff and the own-account production of housing services by owner occupiers)." 11

9 This observation is particularly relevant in the case of the “un-packing” of package tours produced in the Rest of the World: some of their components are produced by non-residents, and when using a net presentation of the package, they represent acquisitions by non-resident visitors of the output of non-resident producers, and should be excluded.

10 SNA93 § 1.20
11 SNA93§ 1.22
A.1.20 This exclusion relies on various arguments. One is to avoid as much as possible procedures of estimations of non marketed transactions, which would be very difficult and would weaken the quality of the estimation of the national aggregates. The other is the desire to be consistent with statistics on employment: if these activities were considered as production, then those engaged in them would also have to be considered as employed, which would generate an inconsistency with the concepts of employment used elsewhere.

A.1.21 One of the consequence of this definition is, for instance, that in National Accounts, the use of his/her own car by an individual does not generate a service on own account. For households or any individual acting in his/her capacity as consumer, SNA93 only considers the acquisition of a product as a transaction, not its use, and classifies this transaction as final consumption expenditure. As a consequence, an automobile, or any other durable good which, when purchased by a productive unit in order to be used in a production process, is considered as a produced asset which enters the capital formation of the producer, when such is acquired by a household for his own private use, is not considered to be fixed capital formation, but final consumption expenditure. The only exception to this case is that of dwellings occupied by their owners, because a specific production process is associated to this situation.

A.1.22 In the case of the services, there is no production process associated to the provision of services within a household for the benefit of the persons present there: as a consequence, an invitation for a lunch at home, or baby sitting services provided free of charge or as an exchange of services between neighbors or relatives are not considered within the boundary of production. Again, the only case of services provided on own account refer to the flow of housing services corresponding to owners occupying their own dwellings, and the services provided by paid house workers.
E. The moment in which a transaction on goods and services occurs

A.1.23 Expenditure on goods and services occur at the times when buyers incur liabilities to sellers. These are usually the times when:

(i) The ownership of the good is transferred from the seller to the new owner; or

(ii) The delivery of a service by the producer is completed to the satisfaction of the consumer.  

A.1.24 “The times at which sellers are actually paid for the goods or services they deliver are not necessarily the times at which the expenditures occur... Payments may either precede, or lag behind the actual deliveries of the goods or services sold. For this reason, the values of expenditures are measured by the values of the amounts receivable and payable at the times the expenditures are incurred”.

A.1.25 Applying the second condition in the case of transportation and associated services (e.g., services of travel agents and of tour packagers) which take the visitor from his/her usual environment to other places, in terms of SNA93, they are only “consumed” and thus incorporated in consumption expenditure at the very moment at which the trip initiates or is due to initiate by contract, although the corresponding “outlay” (the payment) might have occurred before, or after. Prepayments or post payments of any type of consumption are financial transaction and not acquisition or consumption of a good or service. Moreover, payments of interest, such as on consumer loans, credit card, or other types of property income in not part of the value of the good or service purchased, and thus not part of consumption.

F. Household final consumption

A.1.26 SNA93 dedicates some extension in clarifying a series of concepts associated with household final consumption. The System introduces differences between the concepts of: expenditure on consumption goods and services; household final consumption expenditure and actual final consumption of households. It takes into account the particularities of the so called “individual non market services”, for which individual beneficiaries can be identified. The System recognizes the difference between the institutional unit which pays for the services, and the institutional unit which benefits from it, and proposes a way to transfer the consumption from one unit to the other.

A.1.27 Expenditure is defined as the value of the amounts that buyers pay, or agree to pay, to sellers, in exchange for goods or services that sellers provide to...
them or to other institutional units designed by the buyers. The buyer incurring the liability to pay need not be the same unit that take possession of the good or service. As already noted, it is common for government units or NPISHs to pay for goods and services that the sellers provide to households.  

A.1.28 In the system, expenditure is attributed to the units which ultimately bear the costs as distinct from the units that make the payments to the sellers. The unit making the payment is usually also the one that bears the cost, but this is not always the case. For example, one unit may pay a seller acting as the agent of another unit to whom the ownership of the good is transferred. In this case, the agent provides a short term credit to the buyer which is extinguished when the agent is reimbursed. Another example is that of a household which purchases a good or service that it retains itself but is subsequently reimbursed out of social security funds for some or all of the amount spent. In this case, the amount reimbursed is treated as expenditure incurred by the social security fund. 

A.1.29 “A consumption good or service is defined as a good or service that is used (without further transformation in production as defined in the System) by households,... for the direct satisfaction of individual needs or wants...” The preparation of meals within the household for its own account is not considered as a production process. Thus, the food purchased for this meal is considered as a consumption good, because there is no further (economic) transformation. The gas bought for the automobile of the household is considered as a consumption good also for the same reason.

A.1.30 Household final consumption expenditure covers “expenditure, including imputed expenditure, incurred by resident households on individual consumption goods and services, including those sold at prices that are not economically significant. Final consumption expenditure excludes expenditure on fixed assets in the forms of dwellings or on valuables.” Imputed transactions refer here to the valuation of production and use of goods by household for own final use, the services of owner occupied dwellings or any other transfer or transaction in kind between institutional units, except social transfers in kind. Goods and services received as remuneration in kind from the employer are included within household final consumption expenditure. There is no imputation for other types of services on own account.

A.1.31 Household final consumption expenditure not only includes all consumption expenditure made by households from their own cash resources (including all income in cash received), but within that concept, are also included all the counterpart of income in kind (except social transfers in kind) that household

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15 SNA93 § 9.22
16 SNA93 § 9.23
17 SNA93 § 9.41
18 Not economically significant prices refer to prices at which some goods and services are sold, which do not have a significant influence on the amounts the producers are willing to supply or on the amounts purchasers wish to buy: for such products, the amount paid by household, if any, is the value to be included within the concept of household final consumption expenditure
19 SNA.93 § 9.94
might have received, such as remuneration in kind for their employers, or other transfers in kind. It also includes the value of all consumption of output for own final use, such as those provided by dwellings.

A.1.32 The reason for that is clear: National Accounts focuses on the homogenization of all forms of income among households, so that comparisons of disposable income and saving can be legitimate, in spite of important differences which might exist in the social organization of the different economies.

A.1.33 Actual final consumption of households is measured by the value of all the individual consumption goods and services acquired by resident households, which are:

a. those acquired through direct expenditure by the households themselves or imputed to them (consumption for own final use or obtained from other institutional units as transfers in kind other than social transfers in kind): the concept of household final consumption expenditure;

b. those acquired as social transfers in kind from Non Profit Institutions Serving Households (NPISHs);

c. those acquired as social transfers in kind from General Government.

A.1.34 Social transfers in kind consist of:

a. social security and social assistance benefits provided in kind, that is in the form of a good, service or asset other than cash;

b. other individual services provided to individual households by non-market producers owned by government units or NPISHs. These consist roughly of health, education and social services provided to individuals free of charge, or at very low prices, which are not economically significant.

A.1.35 In promoting the concept of household actual final consumption SNA93 treats in a more homogeneous way the situations where social transfers in kind have different relative importance. In some countries, where the General Government provides education and health free of charge or at very low costs, the structure and relative importance of household final consumption expenditure would be extremely different from those for which these services have to be purchased on the market or at market prices. Including these social transfers in kind reduces strongly this imbalance, and improves comparability among countries.
A.1.36 Figure A.1.1 summarizes these relationships among the consumption terms.

**Figure A.1.1 The components of household actual final consumption**

- Consumption expenditure from own cash resources
- Barter transactions
- Production for own final use
- Income in kind
- Consumption expenditure non monetary transactions
- Social security benefits in kind
- Social assistance benefits in kind
- Individual non market tourism services
- Household final consumption expenditure
- Social transfers in kind
- Household actual final consumption

G. The treatment of consumer durables

A.1.37 A consumer durable is defined as “a good which may be used for purpose of consumption repeatedly or continuously over a period of more than a year, assuming a normal or average rate of physical usage”. With the exception of housing, whether principal or secondary, when purchased by individuals in their capacity as consumers, these consumer durables are considered in SNA93 to be within the final consumption expenditure of households and not as fixed capital formation, irrespective of their unit value and type of usage.

A.1.38 Two major categories of consumer durables might be defined: one includes all these consumer durables of relatively small unit value, and relatively simple or of clear personal usage such as clothing, shoes, toys, simple sports equipment, books, CDs and Video films, bedding, and small electric...
appliances. The other category includes consumer durables of major unit value and of greater complexity, e.g., furniture, major household appliances, motor vehicles and other transport equipment, bicycles other than those for small children, and cameras. These latter may be rented as well as purchased by the consumer.

A.1.39 For the first category of consumer durables, their low unit value and the relative frequency of their purchase and replacement (statistically, their life time is small) makes the flow of purchase overtime a good indicator of the flow of uses.

A.1.40 For the second category of consumer durables, this is not so clear. The frequency of purchase by a household is much more reduced for these, and the decision to acquire such a good at a certain time might depend on a variety of factors and might generate relatively important fluctuations in national consumer spending. The possibility of renting such items induces the buyer to consider the benefits of purchasing versus renting the good, comparing the relative use value of both alternatives. These consumer durables could be considered as a certain type of fixed capital formation by households, to which a flow of services would be associated, similarly as when such goods are rented.

A.1.41 It is not the solution promoted by SNA93 which does not recognize a production process associated with their use by their owner. These goods are considered as totally “consumed” in the very moment in which they are acquired by their final consumer. The value of such instant consumption associated with the purchase is equal to the total cost of acquisition excluding all the financial costs associated to the purchase. As a consequence, there can be no imputation of consumption of fixed capital over the service life of the good, nor of any flow of services provided to its owner, resulting from its use over time.

A.1.42 A durable good may be purchased in order to be used by the household at the same time in its capacity as a consumption unit, and in its capacity as producer, such as when a consultant or other person employed in his/her own unincorporated enterprise purchases an automobile for both family and business use. In this case, SNA93 recommends splitting the expenditure between gross fixed capital formation by the enterprise and household final consumption expenditure in proportion to its usage for business and personal purposes 21.

21 SNA93 ¶ 9.48
H. The treatment of owner-occupied dwellings

A.1.43 Housing services provided by owner-occupied dwellings, whether principal or secondary, have a different treatment 22. The owner of the dwelling is considered as an entrepreneur, operating his/her non financial produced asset, and selling the service to the tenant (who can be himself/herself), who is charged an effective or an imputed rent.

A.1.44 The housing services provided by a dwelling usually depend only on the qualities inherent to the dwelling itself, such as location, configuration, type of construction, size, and equipment installed, and not of its occupants. In the case of owner-occupied dwellings or when the dwelling is let free of charge to a visitor, this rent is estimated, taking into account the gross rent generated by a unit of similar characteristics rented on the market.

Second homes owned by non-residents

A.1.45 When second homes are owned by non-residents, SNA93 creates a notional quasi-corporation, resident of the country where the second home is located, and which unique owner is the owner of the second home.

A.1.46 This notional quasi-corporation rents the second home to its owner and perceives the (imputed) income. Once deducted the intermediate consumption of the activity (for instance the repairs considered as intermediate consumption of the activity), it generates a net property income which is again nationally transmitted to the owner under the heading "withdrawal from income of quasi-corporation".

A.1.47 As a consequence, housing services on own account are considered as imports if the owner is resident and the second home is situated abroad, and as exports if the owner is a non resident and the second home is situated within the economy of compilation.

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22 SNA93 ¶ 9.85
Annex 2: Principles of recording in National Accounts

A.2.1 It is necessary to make a certain number of observations, referring particularly to the principles which should be followed in the recording of the monetary flows that constitute the core of the system, in order to ensure consistency with the System of National Accounts.

A. The time of recording

A.2.2 Consistent with the general principles of National Accounts and of Balance of Payments, "transactions between institutional units have to be recorded when claims and obligations arise, are transformed or are canceled - that is, on an accrual basis. Transactions internal to one institutional unit are equivalently recorded when economic value is created, transformed or extinguished. Conceptually, they follow the same principle as business accounting." 23

A.2.3 All purchases made with credit cards or with any other credit system have to be registered at the moment at which the good or service purchased changes ownership, not at the moment in which the charge is due to be paid. All difference between the moment at which the payment is made, and the moment at which the good changes ownership or the service is rendered is considered as a financial transaction, in which a claim is generated in favor of the client, and a current liability is generated for the provider of the good or service. The use of a credit card makes the procedure somewhat more complex to analyze, as between the client and the provider, a third party (or even more) enters in the scene, who can provide a loan to the client, for the amount of the credit card charge.

A.2.4 This principle also applies in the recording of transactions with the Rest of the World, where transactions have to be recorded, not in terms of cash transactions, but on a full accrual basis 24.

B. Principles of valuation

B.1. The currency

A.2.5 All values have to be recorded initially in national currency, whatever the currency used to make the payments. This principle allows comparison of tourism with the remaining macro-economic variables of the compiling economy. However, additional tables can be established in foreign currency (usually, $U.S.) for international tourism, and for all other flows related to income and investment, in order to establish the impact of tourism on the

23 SNA93 §2.63
24 This might require the UN/WTO 1993 Recommendations on Tourism Statistics to be modified in referring to International tourism payments, receipts in foreign exchange generated by inbound tourism and expenditure in foreign currency generated by outbound tourism
balance of payments compiled in foreign currency, and to facilitate meaningful international comparisons.

A.2.6 Conversion of foreign currency into national currency is a difficult issue, mainly when there is no unique fixed exchange rate, namely, in the case of multiple official exchange rates or in the existence of a black or parallel market for foreign currency. 25

A.2.7 The basic principle is the following: "The appropriate exchange rate to be used for conversion from a transaction currency (into national currency) ... is the market rate prevailing on the transaction date, or if that is not available, the average rate for the shortest period applicable. The midpoint between buying and selling rates should be used so any service charge - the spread between the midpoint and those rates - is excluded." 26

A.2.8 The difference between the value using the midpoint and the buying or selling rate corresponds to the value of the service, identified as "foreign exchange services" (81333 of CPC), implicitly acquired from the "bureau de change" or bank, at the moment in which the currency to make the transaction is being purchased through the exchange of currency: this service should be considered as part of tourism expenditure.

A.2.9 When various official exchange rates exist, which is the market rate to be used? "Under an official multiple exchange rate regime, i.e., when two or more exchange rates are applicable to different categories of transactions, favoring some and discouraging others, those rates incorporate elements similar to those of taxes or subsidies... The amount of the implicit tax or subsidy can be calculated for each transaction as the difference between the value of the transaction converted into national currency at the actual exchange rate applicable and the value of the transaction converted at a "unitary rate", the latter calculated as a weighted average of all official rates used for external transactions." 27

A.2.10 Finally, in the case of the existence of a black or parallel market for foreign currency, international inbound visitors might be tempted to buy national currency in these markets in order to obtain a more favorable exchange rate. If this parallel market is not part of the official exchange rate regime, the transfer does not occur between the visitor and the general government, but between the sellers and the buyers in this parallel market, once the intermediary has been remunerated for his services.

25 SNA93 makes an extensive description of the treatment to be used in each of these cases. Here, we shall only make a small summary of the recommendations. Countries where such situations are important should refer to SNA93, particularly ¶¶14.77 to 14.84 and Chapter 19, Annex A
26 SNA93 ¶ 14.78
27 SNA93 ¶14.80
B.2. Basic prices for output and purchasers' prices for uses

A.2.11 Transactions are valued at the actual price agreed upon by the transactors. Market prices are the basic reference for valuation of the system.

A.2.12 Output is valued at basic prices. The basic price is the amount receivable by the producer from the purchase for a unit of a good or service produced as output minus any tax payable, and plus any subsidy receivable, on that unit as a consequence of its production or sale. It excludes any transport charges invoiced separately by the producer within the price of a commodity.

A.2.13 All transactions corresponding to uses of goods and services are valued at purchasers' prices. Purchasers' prices are the amount paid by the purchasers, excluding any deductible value added type tax or similar deductible tax, in order to take delivery of a unit of a good or service at the time and place required by the purchaser. The purchasers' price of a good includes any transport charges paid separately by the purchaser to take delivery at the required time and place. It represents the actual costs to the users.

A.2.14 Some countries give non residents the opportunity to get an exemption of V.A.T. on their purchases, or a refund of the invoiced V.A.T., in the moment of the purchase, or in the moment they leave the country. Measurements should be made net of the value of V.A.T. effectively deducted or refunded.

A.2.15 The components of the price paid by the purchaser of a product that are recognized in the System are the following:

- Basic price of the product as output
- Taxes on the product
- (Less subsidies on the product)
- Trade and transport margins in delivering the product to the purchaser

A.2.16 In the case of services, the only difference between basic prices (income for the producer) and purchasers' prices (expenditure for the consumer) are the taxes (net of subsidies) on the products.

B.3. Value Added and GDP

A.2.17 In SNA93, Value Added, which is a measurement attached to productive activities and shows, without duplication, their share within the production process of a country, is usually measured at basic prices, that is:

a. output of the activity is measured at basic prices

b. intermediate consumption is measured at purchasers' price

A.2.18 It is the value which is reflected in the supply and use tables. In order to arrive at total GDP at market prices, total taxes less subsidies on products, not being allocated to industries, must be added to total value added at basic prices. In some presentations, these taxes less subsidies appear as the contribution of the State as such to GDP.
B.4. Imputations

A.2.19 Due to the fact that, in practice, in most of the countries, TSA will not include, within its calculation, commodities purchased by a household to be provided free of charge for the benefit of a visitor, the amount of imputation in this account will be reduced to its minimal part: basically, to owner occupied second homes and accommodation provided free of charge by households to visitors, to transactions in kind between employers and employees or other beneficiaries, and to the estimation of the value of non market services provided by Government and Non-Profit Institutions Serving Households.

A.2.20 The case of second homes and of visitors received free of charge to the home of other household has already been discussed previously.

A.2.21 The value of non market services provided by Government and Non-Profit Institution Serving Households are valued following the current principles expressed in SNA93 regarding these transactions, that is using their cost of production, including an allowance for consumption of fixed capital.

B.5. Consistent price and volume indicators

A.2.22 The calculation of a TSA as a satellite account of SNA93 provides a framework within which to establish relevant measurements of the change in supply and demand of tourism in terms of consistent price and volume indices.

A.2.23 Too frequently, the change in the volume of tourism is measured with rough estimates, using such indicators as rate of occupancy, number of visitors, or global expenditure in foreign currency. These indicators do not allow to take into account changes in other characteristic of tourism, such as the socio-economic characteristics of the visitors, their country of origin, the changes in their center of interest and patterns of consumption, etc. and are not consistent, on the other hand, with changes, measured from the supply side, in prices and quality.

A.2.24 The integration of the analysis of tourism within the framework of SNA93 makes it possible to use the same principles SNA93 in order to measure changes in volume and prices, which take into account the aspects of quality differences and price variation. Accounts at constant prices can be established, according to the same principles as those used in SNA93, and which are extensively presented and discussed in Ch. XVI.

A.2.25 Given the importance of exchange rate and price changes on tourism demand, consideration should be given in future extensions to incorporating chain-type annual price indexes.
Annex 3: Tourism consumption: its scope and measurement

A.3.1 Many debates surrounding the coverage of tourism consumption, at which points it begins in space and time, what should be included in terms of products (should it only cover services, or goods should also be included) are better resolved, by some reflection about what tourism is about: tourism is about the displacement of individuals outside their usual environment. That is clear. But which consumption expenditure should then be considered and why?

A.3.2 The decision of making a trip, or even before the decision is taken, the mental process in which an individual considers the possibility of taking a trip at a given moment in time, might generate a flow of expenditure which, for the individual, are strongly related to this idea, even before having really taken firmly the decision: tourism is thus to be considered as a purpose, to which the individual begins to associate a flow of expenditure before even the concretion of the plan: gathering information on how to travel, what to do there associated with the object of the trip itself, buying in advance goods or services (sport gears, clothing, inoculation services) which might be useful on the trip, etc. all this expenditure is validly to be considered as tourism consumption expenditure, as soon as the individual (visitor to be or visitor) makes clear the association of the expenditure to the trip or to a would be trip.

A.3.3 This explains why the definition of tourism consumption considers the inclusion of goods and services purchased before and after a trip, as soon as their relationship to a trip is clearly established and the visitor himself is the only one which can establish this relationship; no strict rule on the time span or the place of purchase can be given.

A. Inclusion of consumption expenditure on goods

A.3.4 In the discussion of the coverage of tourism expenditure, some oppose including goods at all, arguing that the production of goods is not a “tourism activity” because the producers are not in direct contact with the visitors. For most services that visitors consume, on the other hand, production and consumption take place at the same moment in the presence of the visitor and in the same transaction, so that the producers of services for visitors are in direct contact with them.

A.3.5 This is true, but only means that the measurement of the economic effects of the demand for goods by visitors requires a special type of analysis. It is necessary to consider separately the activity of selling the goods to the visitors, from the activities of producing, transporting and delivering the good to the final vendor.

A.3.6 Visitors do purchase goods, and in some case the purchase of specific goods might be the main object of the trip or an important part of their consumption expenditure. For the places visited by visitors, it is clear that it is necessary to offer a wide range of items, not just souvenirs and the like. For example, in the vicinity of a beach frequented by visitors, there will be a wide
range of merchandise, from swimsuits and other beachwear to sports equipment such as surf boards, diving equipment and fishing gear. Some places have developed into visitors destination by virtue of the shopping opportunities they offer in the form of large shopping malls or collection of factory outlets. Some countries have also develop such tax free zones to attract buyers from neighboring countries.

A.3.7 The UN/WTO 1993 Recommendations on Tourism Statistics had been rather shy in the consideration of goods within tourism consumption, recognizing solely the purchase of “consumer goods inherent in travel and stays, and the purchase of small durable goods for personal use, souvenirs, and gifts for family and friends” and excluding altogether “important acquisitions such as cars, caravans, boats,.. even though they may be used in the future for tourism travel purposes”.

A.3.8 In the proposed TSA, all consumption goods and services acquired on a trip and stay at destination necessarily is tourism consumption. For those purchased before and after the trip, only those of small relative value or of personal use are included.

A.3.9 In the case of consumer durables of important unit value, which can be used for a trip, but also in consideration of their future use in many other activities, this conceptual framework recommends for the proposed TSA to exclude those not purchased on the trip from the measurement of tourism consumption.

B. Tourism consumption and tourism use

A.3.10 It is important to underline the difference between the concept of “consumption expenditure” and that of “use”. In the case of households, SNA93 measures consumption expenditure based on acquisitions, not on use. As soon as a good, either durable or non-durable, is purchased by a household in his/her capacity as consumer, it is considered as totally “consumed”. The repeated use of a durable by a household is not recorded in National Accounts. If it were, then the production boundary of the system should be extended, because everything that appears as “economic use” has to be “produced” or brought forward from the production of previous periods of time as inventories. But household do not maintain inventories of the goods they purchase.

A.3.11 As a consequence, tourism expenditure is not a measurement of tourism “use”. Tourism consumption, measured within the framework of National Accounts, does not encompass the use of the personal car, only the expenditure on fuel, tuning, insurance, repairs, spare parts, etc. The purchase of an automobile is considered as an instant consumption of its total value.

A.3.12 There is no such “overvaluation” of consumption when important acquisitions such as cars, caravans, or other durables are included: this only reflects the reality of the period, that is, that visitors did purchase these goods.
C. Tourism consumption and the displacement of demand

A.3.13 There have been many discussions regarding the measurement of tourism expenditure and the issue of displaced demand: it has been argued that all consumption by visitors is not totally additional to that which would occur in the economy, had tourism not existed, and thus, that there is an overvaluation of the importance of tourism in an economy, when it is based on this total consumption expenditure by visitors, before during and after a trip.

A.3.14 In fact, we can observe that, if in some cases as when the visitor is resident of a different country, his/her consumption corresponds to a totally additional demand for the economy; in others, there is only a partially additional demand if the visitor displaces himself/herself within the economy of compilation: Some of the consumption expenditure of a resident visitor could be viewed as only displaced, while other part of it could be considered as “additional” to the demand he/she would have generated, had he/she not displaced himself. Some analysts would consider thus that only the additional demand, which is directly caused by the displacement, should be taken into account, and assigned as “incremental” demand generated by tourism.

A.3.15 First of all, although this argument could be true for the country as a whole, it is not true for the place visited: for the place visited, all the demand by visitors, whatever their country of residence, is in addition to that generated by those who have this place as their usual environment. A whole process of planning is necessary in order for the visitors to find what they need in the place visited, and it does not matter whether the purchaser is a resident or a non-resident of the country visited: all the same, he/she has to be satisfied in the location where the demand is perceived: from a micro-economic point of view, the aggregate is relevant.

A.3.16 Second: looking now concretely on how to establish this additional demand, in terms of goods and services, this differentiation between the items which would be considered as “only displaced” and those “truly additional” is not as straightforward as it might seem: although it is true that tourism necessarily generates specific demands at least for displacement and accommodation, we all know by experience that, while on a trip, our consumption pattern even for such things as food or type of entertainment are modified. We usually do not substitute exactly the goods and services purchased at home by identical ones purchased outside our usual environment. Firstly, there is no way of establishing firmly what would have been the visitor’s consumption expenditure, had he/she staid in his/her usual environment: would he/she had decided to stay at home, or go to a restaurant, or go to see a movie. Would we be able to collect reliable statistical information on this aspect, how should then be treated this “minus would-be-consumption” in a consistent way within the framework of National Accounts, which only takes into account effective transactions.

28 The term “identical” here would obviously only refer to the material characteristics of the commodities: if purchased in different places, it is highly feasible that the prices at which these commodities are available are not similar: thus, economically, they are not “identical” because they correspond to different markets…
A.3.17 As a consequence of all these difficulties, it was decided to treat tourism expenditure by residents in the same way as that of non-residents, that is, to include in tourism expenditure all expenditure by or on behalf of a visitor, but to clearly differentiate both items, that of residents and that of non-residents, in the tables for analytical purposes.
Annex 4: Characteristic products and activities

The proposed TSA provides the identification of some goods and services considered as characteristic of tourism. It aims to international comparability, and proposes to achieve it even in the case of compilations for which not much detailed information is available.

For this reason, the level of aggregation which is proposed is quite high, and, in a first stage, does not require for the development of a classification, specific for the compilation of a TSA: the products are usually identified in the CPC rev(1) classification at the 3 digit level (the group level), with a few exceptions concerning road and water transport services (4 digit level, the class level), and interurban railway transport services, travel agency services, tour operator services and others, which are identified at the 5th level of classification, that is at the subclass level.

Likewise, characteristic activities are also usually identified at the 3rd level of classification (the group level), and in some cases at the class level (4th level). There is no specific requirements to break down the components of activity 6304 (travel agency, tour operator and tourist guide services), when activity is concerned, whereas the breakdown is required for products.

If this recommendation makes it easier for countries to comply with it, nevertheless, as a counterpart, characteristic products and activities defined in such a way lack much of their specificity regarding tourism. At the same time, some other products or activities, important within their own level of breakdown (level 4 or 5)(like for instance some retail trade services such as that of gas for cars), but not at a more aggregated level (level 3), are left out from the category of tourism characteristic products or activities, and thus can only be considered as connected at this stage.

In the future, the recommendation will get more specific and use higher level of disaggregation. In the meanwhile, countries are encouraged to develop their own classifications, for internal use, identifying their detailed characteristic and connected products and activities using as guides in this identification the Tourism Product Code (TPC) for products, and the Standard Industrial Classification of Tourism Activities (SICTA) for activities, both developed by WTO and presented in different documents.
## Characteristic products and characteristic activities
### Basic compilation of the TSA

<table>
<thead>
<tr>
<th>Description of the product (1)</th>
<th>CPC (Rev 1) code</th>
<th>ISIC (Rev 3) code of the main activity for which this product is a typical output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels and other lodging services</td>
<td>631</td>
<td>551</td>
</tr>
<tr>
<td>Second homes services on own account or for free</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and beverage serving services</td>
<td>632,633</td>
<td>552</td>
</tr>
<tr>
<td>Passenger transport services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interurban railway transport services</td>
<td>64111</td>
<td>6010</td>
</tr>
<tr>
<td>Road transport services</td>
<td>6421,6422</td>
<td>6021,6022</td>
</tr>
<tr>
<td>Water transport services</td>
<td>6511,6521</td>
<td>6110 (p), 6120 (p)</td>
</tr>
<tr>
<td>Air transport services</td>
<td>661</td>
<td>621</td>
</tr>
<tr>
<td>Supporting services</td>
<td>674,675,676,677</td>
<td>6303</td>
</tr>
<tr>
<td>Travel agency, tour operator and tourist guide services</td>
<td>678</td>
<td>6304</td>
</tr>
<tr>
<td>Travel agency services</td>
<td>67811</td>
<td></td>
</tr>
<tr>
<td>Tour operator services</td>
<td>67812</td>
<td></td>
</tr>
<tr>
<td>Tourist information and tourist guide services</td>
<td>67813,67820</td>
<td></td>
</tr>
<tr>
<td>Transport equipment rental</td>
<td>7311</td>
<td>7111 (p)</td>
</tr>
<tr>
<td>Cultural services</td>
<td>962,964</td>
<td>9214,9232,9233</td>
</tr>
<tr>
<td>Recreation and other entertainment services</td>
<td>965,969</td>
<td>9241,9219,9249</td>
</tr>
</tbody>
</table>

(1) The denomination used relates basically to that of tables in the proposed TSA.
Annex 5: Worksheets annexed to the tables of the proposed TSA

Worksheets annexed to the tables of the proposed TSA are to be understood as such, that is, as useful guides for compilers for the elaboration of those tables. Compilers are free to use them or not. Through these worksheets, compilers are brought to face some of the difficult issues related with the transformation of data from the source of information (direct data collection procedure, or transformation from National Accounts database), and guided on how to get to a form suitable for the incorporation of such information within the tables: as a consequence, the classifications of goods and services and of activities which are used in the worksheets coincide totally with those used in the tables.

Various issue are faced:

- The identification of the social transfers in kind received by visitors and included within tourism consumption and their breakdown by products: (worksheet 1);

- The transformation of package tours into their components, the identification of providers of tourism services as residents and non residents, and the “cleaning up” of inbound package tours for services provided by non residents: (worksheets 2a and 2b);

- The identification of non monetary tourism consumption and its components, and transformation into net presentation so that it can fit directly within the tables (Worksheets 3a and 3b);

- The transformation of the supply tables of National Accounts, first highlighting the tourism industries and characteristic and connected products, then adjusting the valuation procedures to the tables (Worksheets 4a and 4b);
Worksheet 1: social transfers in kind

This worksheet aims at developing awareness in compilers that such social transfers in kind do exist. The worksheet provides a framework within which to report them.

Social transfers in kind are of three major types: social security benefits in kind, social assistance benefits in kind and individual non market services.

Social security benefits in kind might be provided through the reimbursement of expenses made by the beneficiary, or directly in kind.

These three types of social transfers in kind are thus presented in columns, and the lines show the classification in goods and services used in the tables of the proposed TSA.

If social security benefits in kind and social assistance in kind are relatively similar in nature, it is not the case of individual non market services provided by general government and non profit institutions serving households.

Social security benefits in kind and social assistance in kind relate necessarily to the cases in which social insurance benefits (or in their absence, social assistance benefits) may be payable in kind, and the beneficiary of such benefits is outside his/her usual environment or displaces outside this environment as a consequence of such transfer. They are the following: “the beneficiaries or their dependents require medical, dental or other treatments, or hospital, convalescent or long-term care, as a result of sickness, injuries, maternity needs, chronic invalidity, old age, etc., and this is provided in kind or by reimbursing expenditure made by households.” As long as the place where the care is given does not turn into the beneficiary’s usual environment (case of old age retirement homes for instance), there is a tourism social security benefit or a tourism social assistance in kind.

Individual non market services consist mainly of education and health services, although other kinds of services such as housing services, cultural and recreational services might also be concerned, that general government and non profit institution serving households provide to visitors free of charge or at prices not significant economically. The value to be reported under this heading is the difference between the value paid by visitors and the total cost of the provision of the service. Its compilation might request to define a share of tourism consumption within total household final consumption.

For these services to be included in tourism consumption, they have to be provided to households that are outside their usual environment. Example of such services: short term courses provided by centers of education, recreation centers under the financial control of the public authorities, museums, etc.

Social security benefits in kind can be provided also through reimbursements of expenses, first made by the beneficiary, which is reimbursed, totally or partially further on by the social security institution. As the amount of these reimbursements are usually known by the visitors, it is useful to make a difference between the two procedures through which social security benefits in kind are provided.

29 SNA93 ¶ 8.56
This worksheet provides a framework to collect summarized information, and each compiler, as needed, might generate its own subclassifications considering for instance the different providers of such services in a separate way.

**Worksheet 2a and 2b: transformation of package tours**

Package tours are complex tourism products in which different tourism products such as transportation, accommodation, food and beverage services, and others are combined.

**Worksheet 2a:** For the sake of the TSA, the total value of the package tour paid by the visitor has to be broken down into its components, including one corresponding to the service of the packager, which is the difference between the total value of the package and the sum of the value of the components and the commission paid by the packager to the travel agencies which have sold these packages: this breakdown is shown in line, where block A represents the total value of packages paid by visitors, block B represents the total value of inputs provided within the package, which are broken down by products in the following block of lines, using the basic classification of products used in all the system; block C represents the amount paid to travel agencies by packagers for the sale of the packages. Finally, the value of the packagers’ services is obtained (block D), as the difference between the value paid by visitors for the packages and the components of the cost.

This calculation is made for each category of package, which occupy one or four columns of the table:

- those sold to residents in order to travel within the economic territory (domestic packages), which are presented in the first column. In this case, we suppose that all providers of the services are necessarily residents. If such was not the case 30, it would be necessary to generate two columns in order to distinguish between domestically produced and non domestically produced items;

- those sold to residents in order to travel abroad (outbound packages) which occupy the four following columns, as in this case, as well as in the following, it is necessary, for the purpose of the TSA, to make the distinction between domestically produced packages and non domestically produced packages, and in each of the cases, identify those items part of output by resident producers and those not domestically produced ones (which, in the case of outbound tourism, are part of imports). It must be observed that the value of package paid by visitors is considered as domestically produced when the package is domestically produced, but non domestically produced when the packager is a non resident even if the package has been purchased domestically. In order to establish the residual value, it is necessary to take into consideration both domestically produced components and non domestically produced components.

30 With the open sky policy, it might be possible to fly domestically on a non domestic airline
Those sold abroad to non-residents wishing to visit the country of compilation (inbound packages) (4 last columns of the table). In this case, we are not only facing reorganization and reclassification of the flows, but the analysis must lead to a revision of the total value of inbound tourism consumption due to the reestimation of the value of package tours: in fact, as National Accounts and thus TSA exclude from their coverage those transactions which occur between two non-residents, and as inbound visitors are non-residents, all goods and services included within inbound packages domestically produced which are provided by non-residents (for instance internal transportation, or the service of the travel agency which sold the package) have to be excluded from the value of inbound package tours, whereas all goods and services included within inbound packages (and this might cover also the value of the services included in packages produced by non-residents which initially had been globally excluded from inbound tourism consumption) provided by residents have to be included. This is what is shown in columns (4)b and (5)b of table 2a which are shaded in gray, with the indication that all value contained in that column have to be excluded from the values of inbound tourism consumption to be used in further tables, where as the values of column (5) a have to be added.

In the case of package tours, some inputs seem impossible, and the table shows which are such products which cannot be included within a package: tourism housing services on own account or for free cannot be part of package tours as they necessarily correspond to non monetary consumption; the same tour operator services, which are presented in a consolidated form; and finally the consumption of goods whether connected or non specific; Regarding outbound packages, the case of accommodation services provided domestically might be in doubt, but it might happen that for some reasons (distance, difficulties in transferring), some visitors bound to travel outside the economic territory are obliged, within their journey, to spend the night within the domestic territory, and this might be included in the package they chose.

Worksheet 2b: With worksheet 2b, package tours in their net form are integrated within the picture, but the classification of products remains the basic one. As a consequence, all services that had been “packed” previously, are now presented on their own. In the line “tour operator services”, we only have the residual value of the packagers’ services, while in the line corresponding to travel agency services, we only have the value of the commission recognized by packagers to the travel agencies which sold the packages. The total corresponding to domestic packages is unchanged when compared to the total of worksheet 2a. The same occurs for outbound packages at an aggregate level where the sum of the values which appeared in the last line of worksheet 2a is also to be found in worksheet 2b, now with a different breakdown: Column (2) of worksheet (2b) is the sum of columns (2)a and (3)a of worksheet (2)a while column (3) of worksheet 2b is the sum of columns (2)b and (3)b of worksheet 2a. In the case of inbound packages, only the values of column (4)a and (5)a are included and they add up to the total value of column (4) in worksheet 2a as all not domestically produced components are excluded.
Worksheets 3a and 3b: total non monetary tourism consumption at gross and net valuation

Worksheets 3a and 3b provide the information needed to establish (total) tourism internal consumption (table 4): non monetary tourism consumption has to be added to tourism monetary consumption identified by form in order to establish tourism internal consumption and total tourism consumption.

In the worksheets, no intent is made to breakdown each component of non monetary tourism consumption into the different forms of tourism, as it is felt that information is lacking for this type of procedure. Nevertheless, globally, total non monetary tourism consumption is divided into that which is acquired from resident providers and the part which is acquired from not resident providers. Although this seems somewhat difficult to achieve, it is necessary in order to obtain the aggregate of tourism internal consumption which is the one which will be used to establish tourism Value Added and Tourism GDP.

In worksheets 3a and 3b, lines represent products, presented with the basic classification of goods and services adopted in the TSA. Worksheet 3a presents a gross valuation and worksheet 3b a net valuation.

Worksheet 3 provides for a revision of the coverage of non monetary tourism consumption, as it requires each of its components to be separately measured:

- **Barter transactions**: this entry is provided, although it is thought that in most cases, it will not be possible to obtain information on the issue: it concerns principally visitors which exchange their dwellings which might be either their main dwelling or other; it might also concern exchanges of children of different countries in order to study the language (linguistic exchanges). It is presented as a double column, as this value represent a consumption for both of the transactors involved. If this occurs between two residents, that is between two visitors in domestic tourism, it could also be indicated with a double value, and an additional column should then be created. But it is highly doubtful that such information exist.

- housing on own account or for free from other household; two separate columns are considered, the first related to domestic and inbound tourism, but really related to dwellings in the economy of compilation, while the second column refers to services provided to outbound tourism, that is, necessarily in other economy. By definition, it only relates to housing services.

- **other transfers in kind from a resident household**: these refer to all transfers in kind, different from housing, that one resident household can provide to a visitor;

- In a symmetric way, the following column records all transfers in kind received by resident visitors in other economies: they are called **other transfers in kind to outbound tourism from non residents**;

- The following column gets its information from worksheet 1, where these **social transfers in kind** are presented in detail. Here we only need the total value by product. We recall that only social transfers in kind by resident
units is considered here, as no functional analysis of the expenses of the rest of the world is made;

- The following set of two columns groups tourism consumption expenditure that national Accounts classify as intermediate consumption of producing units (column “as intermediate consumption”) or as remuneration in kind, (column “as remuneration in kind”) according to the nature of the expenditure: they are grouped in order recall that their estimation will be, in most of the cases, grouped, within the analysis of information of producing units;

- Finally the column total non monetary consumption adds the values to be found in the previous 9 columns.

- The two last columns give a breakdown of the total value and by product according to the residence of the provider of the goods and services considered within consumption: it obviously should be established at the detailed level of each component of non monetary tourism consumption, but some global calculation might be considered as sufficient.

Worksheets 4a and 4b “Output of tourism industries and other activities, by products at gross and net valuation”

Worksheet 4a derives directly from the make tables of National Accounts where tourism industries are highlighted, as well as tourism characteristic and connected products.

As in a make table of SNA93, columns refer to productive activities and rows to products, with the classifications adopted in the TSA.

The difference is due to the breakdown of activities and of products: characteristic activities are highlighted, and for each of them that has been identified as characteristic, a column is proposed. Additionally, various columns are presented, so that countries might identify those connected activities of importance for this economy. Finally, all other non tourism activities are grouped, but might also be presented within a certain disaggregation, as needed.

It might be observed that the totals which are to be found in the supply tables of SNA93 are not modified and are identical with the values in National Accounts.

Worksheet 4b takes us a step further into the proposed TSA: While worksheet 4a was only the application of different classifications of products and activities to a make table, highlighting those products and activities of specific relevance for tourism, in worksheet 4b, the methods of recording certain transactions are modified. These are the following:

- Package tours, as outputs, are now presented in a net valuation and not gross, following the procedure presented in table 2a and 2b;
- The services of travel agencies are extracted from the values of the services they have sold;
- The retail trade margins on goods, both nationally produced and imported, are extracted from the rest of the value of the goods, and presented on a
different row. As a consequence, the classification of goods and services is slightly modified: connected goods are replaced by the retail trade margin on these goods, non specific goods are replaced by the retail trade margin on these goods, and a new “product” line is created, within non specific goods, which receives all these values of goods net of these retail trade margins.

This transformation generates alteration in the value of production of the activities which are commercialized through travel agencies and in the value of production of tour operators.

In effect, for tourism services which remunerated travel agency services through a fee or percentage, the total value perceived through the travel agency was considered as the value of production of the service, and the amount paid to travel agencies was an input to this production.

Now, we consider that the visitor, when buying through a travel agency, is purchasing two different services: one is the tourism service itself, and the other, is the service of the travel agency. The value of the tourism service is the difference between the value paid and the fee or commission paid to the travel agency, while the travel agency service purchased is the value of the fee; for the provider of the service the value of its output is diminished by the value of the fees paid to travel agencies. This is balanced by a similar decrease in the value of its output, so that the value added is not modified, For the travel agency, there is no difference in value, but the purchaser of its service is rerouted to visitors.

In the case of tour operator, we are in a similar situation: most of the inputs of the package tours (the tourism services which were packed and the services of travel agencies) are now rerouted, decreasing the value of the output of tour operators, without modifying their value added as the value of the inputs are also decreased by the same amount.

Regarding travel agency services provided by residents to non-resident producers, while they were previously considered as exports, they are now considered as provided to residents. The same occurs with travel agency services provided by non-residents to resident producers: they are excluded from imports and from intermediate consumption of the resident producers.

As a consequence, the totals concerning total domestic output can be smaller in worksheet 4b than they are in worksheet 4a: these decreases are all balanced by a similar decrease in the value of inputs of the activities concerned so that the total value added of the economy is not modified by these transformations in presentation.
Relationship between worksheets and tables

WORKSHEETS

- WS 1
- WS 2a
- WS 3a
- WS 2b
- WS 3b
- WS 4a
- WS 4b

TABLES

- Table 1
- Table 2
- Table 3
- Table 4a
- Table 4b
- Table 5
- Table 6
- Table 7
- Table 8
- Table 9
- Table 10

* : related with all tables
Worksheet 1

Social transfers in kind

<table>
<thead>
<tr>
<th>Products</th>
<th>social security benefits in kind</th>
<th>social assistance benefits in kind</th>
<th>individual non market services</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>reimbursements</td>
<td>others</td>
<td>total</td>
<td></td>
</tr>
<tr>
<td>A. Specific products</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Characteristic products</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel and other lodging services</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Second homes services on own account or for free</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Food and beverage serving services</td>
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<tr>
<td>Passenger Transport</td>
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<tr>
<td>interurban railway transport service</td>
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<td>road transport services</td>
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<td>air transport services</td>
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<td>support services</td>
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<tr>
<td>Travel agency, tour operator and tourist guide services</td>
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<tr>
<td>travel agency services</td>
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<tr>
<td>tour operator services</td>
<td></td>
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<tr>
<td>tourist information and tourist guide services</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Transport equipment rental</td>
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<tr>
<td>Cultural services</td>
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<tr>
<td>Recreation and other entertainment services</td>
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<td>Connected products</td>
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<tr>
<td>goods (1)</td>
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</tr>
<tr>
<td>services</td>
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<td></td>
</tr>
<tr>
<td>B. Non specific products</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>goods (1)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>services</td>
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</tr>
<tr>
<td>TOTAL social transfers in kind</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

X does not apply
(1) Relates to the value of the goods bought by the visitor at acquisition prices
## Worksheet 2 a

### Products provided as packages to visitors and valuation of the packagers services

<table>
<thead>
<tr>
<th>Products</th>
<th>Domestic packages</th>
<th></th>
<th></th>
<th></th>
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</table>

### Total value of packages paid by visitors (A)

#### A. Specific products

**Characteristic products**
- Accommodation
- Hotel and other lodging services
- Second homes services on own account or for free
- Food and beverage serving services
- Passenger Transport
- Interurban railway transport service
- Road transport services
- Water transport services
- Air transport services
- Support services
- Travel agency, tour operator and tourist guide services
- Travel agency services
- Tour operator services
- Tourist information and tourist guide services
- Transport equipment rental
- Cultural services
- Recreation and other entertainment services

**Connected products**
- Goods (1)
- Services

#### B. Non specific products

**Goods (1)**

### Total value of inputs provided as packages to the visitors (B)

### Amount paid to travel agencies by packagers for the sale of the packages (C)

### Residual value: value of the Packagers' services

\[ (D) = (A) - (B) - (C) \]

### Notes

- X: does not apply
- Area in gray: conceptually outside the boundary of SNA and of the TSA
- * Value included in inbound tourism consumption: it is the only required component
- ** This value is not strictly part of inbound tourism consumption but in a first stage, it is globally reported within this measurement.
- (1) Relates to the value of the goods bought by the visitor at acquisition prices
## Worksheet No 2 b

### Net valuation of package tours

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<th>Products</th>
<th><strong>domestic packages</strong></th>
<th><strong>outbound packages</strong></th>
<th><strong>inbound packages</strong></th>
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<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
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<tr>
<td>Characteristic products</td>
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</tr>
<tr>
<td>Accommodation</td>
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<tr>
<td>Hotel and other lodging services</td>
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<td>Second homes services on own account or for free</td>
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<tr>
<td>Food and beverage serving services</td>
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<tr>
<td>Passenger Transport</td>
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<td></td>
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<tr>
<td>interurban railway transport service</td>
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<tr>
<td>road transport services</td>
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<tr>
<td>water transport services</td>
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<tr>
<td>air transport services</td>
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<td>support services</td>
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<tr>
<td>Travel agency, tour operator and tourist guide services</td>
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<tr>
<td>travel agency services (1)</td>
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<tr>
<td>tour operator services (2)</td>
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<tr>
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</tr>
<tr>
<td>Transport equipment rental</td>
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<tr>
<td>Cultural services</td>
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<td>Travel agency, tour operator and tourist guide services</td>
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<tr>
<td>travel agency services (1)</td>
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<tr>
<td>tour operator services (2)</td>
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<td>tourist information and tourist guide services</td>
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<td>Transport equipment rental</td>
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<td>Cultural services</td>
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<td>Recreation and other entertainment services</td>
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<td>services</td>
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<tr>
<td><strong>TOTAL value of package (net valuation)</strong> (3)</td>
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</tbody>
</table>

From Worksheet No 2 a

1. (1) Corresponds to the values paid by packagers to the travel agencies selling the packages
2. (2) Corresponds to the margin of the packager: value (D) worksheet 2 a. It is not included in the case of inbound tourism as it is non domestically produced.
3. (3) For packages produced by resident packagers, this value is the same as the gross value: only the breakdown is different.
   In the case of inbound packages, this is not true, as the total in this table only includes domestically produced components.
4. (4) Relates to the value of the goods bought by the visitor at acquisition prices
## Worksheet 3a

### Total Non Monetary Tourism Consumption

*(gross valuation)*

<table>
<thead>
<tr>
<th>Products</th>
<th>barrier transactions</th>
<th>housing on own account or for free from other household</th>
<th>other transfers in kind from a resident household</th>
<th>other transfers in kind to outbound tourism from a non-resident</th>
<th>social transfers as intermediate consumption</th>
<th>social transfers as remuneration in kind</th>
<th>Total non monetary tourism consumption</th>
<th>Acquired from resident providers</th>
<th>Acquired from non-resident providers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Specific products</strong></td>
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X does not apply

(1) Relates to the value of the goods bought by the visitor at acquisition prices
Worksheet 3 b

Total Non Monetary Tourism Consumption
(net valuation)

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<th>Products</th>
<th>barter transactions</th>
<th>housing on own account or for free from other household</th>
<th>other transfers in kind from resident tourism</th>
<th>other transfers in kind to outbound tourism</th>
<th>social transfers in kind from a resident unit</th>
<th>paid by a resident producer</th>
<th>TOTAL non monetary tourism consumption</th>
<th>acquired from resident providers</th>
<th>acquired from non-resident providers</th>
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</table>

This net valuation refers to the adjustments of package tours, travel agency services and retail trade services

(1) Corresponds to total value received from visitors, packagers and other tourism services
(2) Corresponds to the margin of the packager
(3) The value is net of the amounts paid to travel agencies
Output of tourism industries and other activities by products (gross valuation)

<table>
<thead>
<tr>
<th>Products</th>
<th>Hotels and similar</th>
<th>Second home ownership</th>
<th>Restaurants and similar</th>
<th>Passenger Rail</th>
<th>Passenger Road</th>
<th>Passenger water</th>
<th>Passenger air</th>
<th>Transport supporting services</th>
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<tbody>
<tr>
<td><strong>A. Specific products</strong></td>
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</table>

X does not apply

(1) Relates to the value of the goods bought by the visitor at adquisition price
### A. Specific products

<table>
<thead>
<tr>
<th>Characteristic products</th>
<th>Accommodation</th>
<th>Second homes services on own account or for free</th>
<th>Food and beverage serving services</th>
<th>Passenger Transport</th>
<th>Interurban railway transport service</th>
<th>Road transport services</th>
<th>Water transport services</th>
<th>Air transport services</th>
<th>Support services</th>
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### B. Non specific products

<table>
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<tr>
<th>Connected products</th>
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<td>Services</td>
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### TOTAL supply

X does not apply

(1) Relates to the value of the goods bought by the visitor at acquisition price
### Worksheet 4 b

Output of tourism industries and other activities by products

*(net valuation)*

<table>
<thead>
<tr>
<th>Products</th>
<th>HOTELS AND SIMILAR</th>
<th>SECOND HOME OWNERSHIP</th>
<th>RESTAURANTS AND SIMILAR</th>
<th>PASSENGER RAIL</th>
<th>PASSENGER ROAD</th>
<th>PASSENGER WATER</th>
<th>PASSENGER AIR</th>
<th>TRANSPORT SUPPORTING SERVICES</th>
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<tr>
<td>A. Specific products</td>
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<td>Second homes services on own account or for free</td>
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<td>Transport equipment rental</td>
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<td>Recreation and other entertainment services(3)</td>
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<td>Connected products</td>
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<td>retail trade margins on connected goods services</td>
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<td>B. Non specific products</td>
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<tr>
<td>Value of goods net of retail trade services previously recorded(4)</td>
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</tbody>
</table>

**TOTAL**

X does not apply

This net valuation refers to the adjustments of package tours, travel agency services and retail trade services

1. Corresponds to total value received from visitors, packagers and other tourism services
2. Corresponds to the margin of the packager
3. The value is net of the amounts paid to travel agencies
### Output of tourism industries and other activities by products

**(net valuation)**

<table>
<thead>
<tr>
<th>Products</th>
<th>Tourism Industries</th>
<th>other activities not tourism characteristic</th>
<th>TOTAL output domestic producers at basic prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transport equipment rental</td>
<td>Travel agents and tour operators services</td>
<td>Entertainment and cultural services</td>
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<td>X</td>
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<td>X</td>
</tr>
</tbody>
</table>

**A. Specific products**

- **Characteristic products**
  - **Accommodation**
  - Hotel and other lodging services (3)
  - Second homes services on own account or for free
  - **Food and beverage serving services (3)**
  - Passenger Transport (3)
  - interurban railway transport services (3)
  - road transport services (3)
  - water transport services (3)
  - air transport services (3)
  - support services
  - Travel agency, tour operator and tourist guide services
    - travel agency services (1)
    - tour operator services (2)
    - tourist information and tourist guide services
  - Transport equipment rental
  - Cultural services (3)
  - Recreation and other entertainment services (3)

**B. Non specific products**

- **Connected products**
  - retail trade margins on connected goods services
- **Value of goods net of retail trade services previously recorded (4)**

**TOTAL**

X does not apply

This net valuation refers to the adjustments of package tours, travel agency services and retail trade services

1. Corresponds to total value received from visitors, packagers and other tourism services
2. Corresponds to the margin of the packager
3. The value is net of the amounts paid to travel agencies
4. The retail trade margins on goods are presented separately
GLOSSARY

Domestic tourism
Tourism involving residents of the given country traveling within this country. [Rec-93 11.a]

Domestic tourism consumption
It is the consumption of domestic tourism, that is, the consumption incurred as a direct result of resident visitors traveling within their country of residence. These purchases might include goods or even services produced abroad or by non-residents but sold within the domestic economy (imported goods and services). [TSA 2.43]

Establishment
It is an enterprise or part of an enterprise, that is situated in a single location and in which only a single (non-ancillary) productive activity is carried out or in which the principal productive activity accounts for most of the value added.” [TSA 3.32] [SNA93 ¶5.21 ¶21.8]

Household final consumption expenditure
Includes all consumption expenditure made by households from their own cash resources (including all income in cash received), as well as all the counterpart of income in kind (except social transfers in kind) that household might have received, such as remuneration in kind and other transfers in kind. It also includes the value of all consumption of output for own final use, such as those provided by second homes on own account used for tourism purposes or what it can have received through barter transactions. [TSA 2.30 Annex 1.F] [SNA93 ¶9.94a]

Household actual final consumption
Adds to household final consumption expenditure the social transfers in kind received from General Government and NPISHs. These refer to social security benefits and social assistance benefits received in kind, and to the individual non market goods and services provided by government and NPISHs. [TSA 2.31, Annex 1. F] [SNA93 ¶9.96]

Inbound tourism
Tourism involving non-residents traveling in the given country. [Rec-93 11b]

Inbound tourism consumption
It is the consumption of inbound tourism, that is, the consumption incurred as a direct result of non-resident visitors traveling to and within the compiling economy. It is limited to purchases from providers resident of the compiling economy. The goods purchased within the compiling economy might have been imported. [TSA 2.45]

Internal tourism
It comprises domestic tourism and inbound tourism. [Rec-93 13a]
**Internal tourism consumption**
It is the consumption of internal tourism, that is it comprises all consumption expenditure of visitors both resident and non-resident visiting the compiling economy. It is the sum of domestic tourism consumption and inbound tourism consumption. It might include goods and services imported into the country and domestically sold to visitors. [TSA 2.46]

**International tourism**
Comprises inbound tourism and outbound tourism. [Rec-93 13c]

**International tourism consumption**
It comprises inbound tourism consumption and outbound tourism consumption. [TSA 2.49]

**National tourism**
It is the tourism by residents, It comprises domestic tourism and outbound tourism. [Rec-93 13b]

**National tourism consumption**
It comprises all tourism consumption by resident visitors regardless of where it occurs. It includes all domestic tourism consumption and outbound tourism consumption by residents of the compiling economy. These purchases may include nationally produced goods and services, imported goods purchased from resident providers, and goods and services purchased from non-resident providers, such as in countries visited. [TSA 2.48]

**Outbound tourism**
Tourism involving residents traveling in another country. [Rec-93 11c]

**Outbound tourism consumption**
It is the consumption of outbound tourism that is, the consumption incurred as a direct result of residents traveling to countries other than the one in which they reside. While most of this consumption happens outside the compiling economy, such purchases might include goods and services produced in the visitor’s country of residence and acquired for the trip. Purchases of international transportation are included in their entirety regardless of the residence of the carrier. [TSA 2.44]

**Production**
It is a process, carried out under the responsibility, control and management of an institutional unit, in which labor and assets are used to transform inputs of goods and services into outputs of other goods and services. All goods and services produced as outputs must be such as they can be sold on markets, or at least be capable of being provided by one unit to another, with or without charge. [SNA93 ¶ 1.20]

**Residence**
The residence of an institutional unit is the location where can be found its center of principal economic interest. The residence of a household is that of all its members. [SNA93 ¶ 14.8] [Rec-93 23-24-25] [TSA Annex 1.C]

**Tourism**
It comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. [TSA 2.3] [Rec-93 20]
Tourism characteristic activities (WTO list)
Those productive activities which part of their principal output are tourism characteristic products. The sum of all tourism characteristic activities comprise the tourism industries. [TSA 3.19 Annex 4]

Tourism characteristic products (WTO list)
Those which, in most countries, would cease to exist in meaningful quantity or that consumption would be significantly reduced in the absence of tourism, and for which statistical information seems possible to obtain. [TSA 3.11, Annex 4]

Tourism collective consumption
They include government expenditures on certain non market collective services used by visitors and the productive activities that serve them. [TSA 2.808 and 2.81]

Tourism connected activities
Those productive activities which part of their principal output are tourism connected products. [TSA 3.20]

Tourism connected products
Those products which are consumed by visitors in volumes which are significant for the visitor and/or the provider but which are not included in the list of tourism characteristic products. [TSA 3.11]

Tourism consumption
It is the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination. [TSA 2.34 [Rec-93 85]

Tourism demand
It is the sum of the tourism consumption, the tourism collective consumption and the tourism gross fixed capital formation. [TSA 4.99]

Tourism Gross Domestic Product (Tourism GDP)
It is the GDP the generated in the economy by the tourism industries and other industries in response to tourism internal consumption. [TSA 4.77]

Tourism Gross Fixed Capital Formation
It is the sum of the gross fixed capital formation in specific tourism fixed produced assets by all economic productive activities and the gross fixed capital formation of tourism industries in non specific tourism fixed assets. [TSA 4.88]

Tourism industries
The set of establishments which principal productive activity is a tourism characteristic activity. [TSA 3.31]

Tourism internal consumption
It comprises all tourism consumption expenditure that takes place within the compiling economy. It includes all domestic tourism consumption, inbound tourism consumption, and the part of outbound tourism consumption which corresponds to goods and services provided by residents. It might include goods and services imported into the economy and domestically sold to visitors. It differs from internal tourism consumption by the part
of outbound tourism consumption which corresponds to goods and services provided by residents. [TSA 2.47]

**Tourism non specific products**
All other products which are not tourism specific. [TSA 3.15]

**Tourism sector**
The set of institutional units which principal economic activity is a tourism characteristic activity. These units might belong to the following institutional sectors: households, non financial corporations (private, foreign owned, publicly owned), financial corporations, general government or Non Profit Institutions Serving Households. [TSA 5.80]

**Tourism specific produced fixed assets**
Those assets expressly designed to produce tourism goods and services. If tourism did not exist, such assets would be severely impacted in terms of their utility and value. [TSA 2.86 a]

**Tourism specific products**
The set of tourism characteristic products and tourism connected products. [TSA 3.11]

**Tourism Value Added (TVA)**
It is defined as the value added generated in the economy by the tourism industries and other industries in response to tourism internal consumption. [TSA 4.70]

**Traveler**
Any person on a trip between two or more countries, or between two or more localities within his country of usual residence. [TSA 2.3] [Rec-93 15]

**Value Added of the Tourism industries**
It is the value added of all characteristic producers, regardless of whether all or even some of their output is provided to visitors. It lefts out the effect of tourism consumption on other productive activities which might serve them. [TSA 4.70]

**Visitor**
Any person traveling to a place other than that of his usual environment for less than 12 months and whose main purpose of trip is other than the exercise of an activity remunerated from within the place visited. [TSA 2.3] [Rec-93 20]

**Visitors expenditure**
Term traditionally used in the analysis of tourism economy; it includes the expenditure on goods and services consumed by the visitors for and during his/her trips and stay at destination. It corresponds with the monetary transactions component of tourism consumption (TSA 2.50)
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Annex 4

TOURISM SATELLITE ACCOUNT

THE DESIGN OF A CONCEPTUAL FRAMEWORK FOR THE ELABORATION OF THE TOURISM SATELLITE ACCOUNT (TSA):

WORLD TOURISM ORGANIZATION (WTO) PROPOSAL IN RELATION TO OTHER INITIATIVES PRESENTED BY THE OECD AND EUROSTAT
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I. PRESENTATION

1. For the last four years, the World Tourism Organization (WTO) has elaborated the methodology for the preparation of a Tourism Satellite Account. The document entitled “Tourism Satellite Account (TSA): The conceptual framework” contains a set of recommendations and guidelines concerning concepts, definitions and other elements of statistical methodology.

2. The expression conceptual framework is used in the above-mentioned document as an equivalent to statistical methodology.

3. Consequently, Chapter IV “Tables, accounts and aggregates” refers to the TSA as “a set of definitions and classifications integrated into tables, organized in a logical, consistent way, which allows a view of the whole economic magnitude of tourism in both its aspects of demand and supply. As a consequence, the tables and aggregates constitute the central part of the TSA conceptual framework” (WTO 4.1).

4. This long work process, which has involved great efforts (not the least of which have been the financing efforts), was aimed at four objectives:

- to promote a better knowledge of tourism and, more specifically, the quantification of its economic impacts;
- to contribute to the development of international statistical standards from the point of view of relevant policy perspectives and commitments, through the proposal of appropriate recommendations;
- to direct members to their gradual implementation;
- to support this development through technical cooperation with WTO Member states.

5. It must be remembered that this contribution to international statistical standards is not new in itself, and to this end, we must remember the publication of the “Recommendations on Tourism Statistics” in 1994. This procedure is nevertheless significant since the WTO is not a statistical agency and because its 130 Member states have different statistical levels of development.

6. Consequently, it is not the competence of the WTO to determine the procedures for the development of its recommendations in this field, but to present only general guidelines for appropriate development.

7. With the design of the TSA conceptual framework, the WTO has made a great effort to stress its collaboration with international statistical Agencies and Working groups, and will offer its support in order that these bodies may promote the creation of harmonized basic statistical instruments to further the international comparability of the data related to the economic impact of tourism.


II. WTO EFFORTS FOR DEVELOPING TOURISM SATELLITE ACCOUNTS

8. In response to the mandate received at the Ottawa Conference \(^3\) in 1991, WTO has developed a conceptual framework to present a coherent and interdependent vision of tourism demand, tourism supply and other tourism variables, with different degrees of detail and within a context of international comparability with other areas of economic activity.

9. The link with SNA93 is a structural one. Consequently this exercise, which is statistical in nature, can be defined as a Satellite Account related to that system. It shares with the SNA93 its basic principles, concepts and definitions. Furthermore, the definitions and tables related to the Tourism Satellite Account (TSA) are defined in relation to the concepts and tables currently used in National Accounts. This link provides the credibility that tourism has been seeking over the years to have its voice heard and its importance acknowledged.

10. The development of the different tasks of the TSA (and consequently the international comparability of the estimates obtained by those countries that consider this development to be of interest to them) must be understood to be a medium-term process.

11. For the time being, WTO’s proposal refers to a national and yearly perspective and is based on a set of 10 tables.

12. In the long run, it is expected that the present conceptual framework be extended to include other developments, such as expanding the scope of tourism consumption and tourism supply, substituting tourism demand for tourism consumption, measuring the effect of tourism on the external balance of goods and services, development of regional TSAs, etc. Other extensions foreseen relate to the functional analysis adopted in the design of the proposed conceptual framework, as well as the extension towards an institutional approach.

13. Tables 1 to 4 concentrate on the description of Tourism Consumption by products, in its various forms (Inbound, Domestic and Outbound tourism consumption) and includes non-monetary elements that are sometimes omitted in a traditional evaluation of tourism consumption, but which have to be taken into consideration for a practical coherence with National Accounts.

14. Table 5 describes the production accounts of tourism specific activities, in a similar way to SNA production accounts.

15. Table 6 is the centre of the system and presents a reconciliation by products and activities between Internal Tourism Consumption and Tourism Supply of services. It permits the calculation of the Tourism Value Added which is defined as the value added generated in the whole economy, in the delivery of consumption goods and services to visitors by all industries.

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\(^3\) WTO-Canada - World Conference on Travel and Tourism Statistics, Ottawa, Canada, June 1991.
16. Table 7 collects data on Employment in the tourism industries.

17. Tables 8 and 9 collect data on Tourism Gross Fixed Capital Formation and Tourism Collective Consumption. These components have been included in the proposed conceptual framework since they are considered, in relation to the SNA93, as components of the demand. Nevertheless, taking into consideration the methodological difficulties for their rigorous delimitation and the lack of sufficient experience of NTOs in elaborating estimates, the WTO proposal is, for the time being, very conservative.

18. Finally, Table 10 presents some non-monetary economic variables with important links to the monetary values presented in the previous tables.

III. PROPOSALS BY WTO AND OECD: COMPARED ANALYSIS

19. In this Chapter, some of the most relevant themes in relation to the necessary conceptual framework for the preparation of the Tourism Satellite Account (TSA) are included, such as they are presented in the documents related to Tourism Satellite Account (TSA) prepared by the WTO and the Organisation for Economic Co-operation and Development (OECD) and presented at the Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism (Nice, France, 15-18 June 1999).

III.1. GENERAL OVERVIEW

20. Both documents coincide in their basic approach to the design of the Tourism Satellite Account (TSA): presentation of the economic data on tourism according to the principles and standards of the System of National Accounts (SNA93) compatible with the WTO-UN Recommendations on Tourism Statistics (REC93).

21. The aim of these documents is:

- to give tourism credibility and legitimacy by allowing its comparability with other data on other economic activities in a national economy (WTO: 1.4 and OECD: 6);
- to allow the distinction between available statistical data and imputed or “modelized” results (WTO: 0.3 and OECD: 9);
- to present, from an SNA93 perspective a complete system of tables with tourism information statistics (WTO: 10 basic tables and OECD: 8 basic tables).

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III.2. **MAIN OBJECTIVES**

22. **WTO**

(a) To develop a *set of recommendations and guidelines* concerning concepts, definitions and other elements of statistical methodology for the elaboration of a Tourism Satellite Account (Chapter II: Tourism demand and Chapter III: Tourism supply).

(b) To define a *series of tourism aggregates*:

- from the demand side: visitor Tourism Consumption (with different variants due to different coverage and components), tourism direct consumption and Gross Fixed Capital Formation;

- from the supply side: Value Added of the Tourism Industries (VATI), Tourism Value Added (TVA) and Gross Domestic Product (GDP), generated by visitor tourism consumption (VTC) [Chapter IV: 4.62 to 4.102].

(c) To present an *integrated system of tables* in order to compile the available information on tourism that will allow the elaboration of a series of tourism aggregates [Chapter IV.A: Description of the tables and accounts (4.3 to 4.61) and D.Tables].

23. **OECD**

(a) To propose to member countries the elaboration of an *integrated system of tables*, allowing the elaboration of TVA and the TGDP (Chapter VI).

(b) To propose the procedure for estimating the TVA (of characteristic and non-characteristic tourism activities) and the TGDP (Chapter VII).

(c) To provide guidelines for the statistical treatment of some tourism concepts, such as: tourism consumer durable goods, second homes, package tours, gross fixed capital formation (Chapter IV).

24. **Comments**

(a) The objectives are different, but compatible, if there is an agreement or a correspondence with basic concepts, definitions and classifications \(^6\).

(b) The WTO document \(^7\) is a proposal for all countries and its main objective is to establish a *conceptual framework* with basic definitions and classifications of the different tourism variables. This is the reason why the

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\(^6\) See reference 1 in Annex 1.

\(^7\) See reference 2 in Annex 1.
WTO TSA only presents general guidelines on specific subjects in order to compile and evaluate the required variables in order to elaborate the tables. These questions will be the subject of Technical Manuals to be elaborated later on.

(c) The TSA for OECD member countries covers less countries, but they are also the most developed at the economic and statistical levels. The objective of the OECD TSA is to propose “estimation methods” to evaluate the TVA (of characteristic and non-characteristic tourism activities).

(d) The present conceptual framework designed by WTO, with SNA93 approach, is developed according to the system of the proposed tables. Tables 1, 2, 3 and 4 are designed for the different forms of visitor tourism consumption; Table 5 is a Production account for the tourism industries and Table 6 provides a balance of supply and demand in internal tourism. Table 1 of the OECD TSA concerns the production account of tourism industries (equivalent to Table 5 of WTO) and Tables 2 and 3 concern the balance between internal tourism supply and demand; Table 4 is devoted to the TVA (corresponding to Table 6 of WTO which is, in part, equivalent to these three OECD tables).

(e) The OECD TSA proposes to apply a step-by-step programme (Annex B) to elaborate the system of tables, while the WTO TSA proposes a programme in two phases:

- first phase: to elaborate Tables 1 to 6, 7 (concerning employment) and 10 (concerning non-monetary indicators - this table is not designed in OECD TSA);

- second phase: Table 8 (Tourism gross fixed capital formation) and Table 9 (Tourism collective consumption - which is not designed by the OECD TSA).

(f) The WTO document gives an orientation in its “Chapter V: Future developments” on the research guidelines for the extension of the present conceptual framework (this point is not mentioned in OECD proposal).

III.3. TOURISM DEMAND

III.3.1. Background

25. The OECD document takes its basic concepts from the “Recommendations on Tourism Statistics (REC93)”, where it was accepted that tourism demand was equivalent to tourism consumption, identified as tourism expenditure (corresponding mainly to “the value of goods and services used by or for tourism units – visitors”, and the rest to “the intermediate consumption of enterprises” as a consequence of travel by their employees). Consequently, “tourism demand represents the expenditure made by, or on behalf of the visitor before, during and after the trip”.
26. The approval of the SNA93, on the one hand, and the experience drawn from the work developed when quantifying the economic impacts of tourism since the Ottawa Conference, on the other hand, made it necessary to revise this concept of **tourism demand**:

- first, by precising the scope of **tourism expenditure** itself and identifying the non-monetary transactions, as well as the social transfers in kind associated with tourism actual consumption, and

- second, by introducing the components of **collective consumption** and **gross fixed capital formation**.

27. This step forward was not an easy one since it was necessary to face methodological problems and other aspects for which National Statistical Offices (NSOs) had not yet enough experience with operational solutions for the elaboration of appropriate data to be incorporated in a TSA, such as how to use precise criteria allowing a breakdown of expenditure for each type of component.

28. Moreover, another problem, but not less important, was the decision taken to be strictly coherent with the conceptual framework designed in the SNA93, in order that the TSA conceptual framework guarantees that tourism analysis will have the necessary credibility which is not the case in this moment.

29. This historical background makes it easy to understand the different approaches taken as starting points for the elaboration of their methodologies by the Working Group on Statistics of the OECD Tourism Committee, on one hand, and by the WTO Steering Committee and its Ad-Hoc Groups on classifications and tourism statistics, on the other.

30. We understand that as a consequence of the methodological process followed by each organization, the OECD Statistical Working Group might have been tempted to adopt a defensive position against any organization wishing to weaken the concept of Tourism Consumption by forcing the production boundary of the TSA to separate it from the SNA93 system. On the contrary, WTO has chosen to elaborate a solid methodological framework valid for the proposed design of a TSA, for the time being, and also for its future developments (such as it appears in Chapter V of the WTO document).

**III.3.2. WTO**

31. It is considered that Tourism Demand (TD) is the general or aggregated indicator that better characterises tourism volume from the demand side and it is defined as the aggregation of: visitor Tourism Consumption (TC) + Tourism Collective Consumption (TCC) + Tourism Gross Fixed Capital Formation (TGFCF) [WTO 4.100].
Nevertheless, in the development of the proposed TSA (Tables 1 to 10), it is 
not proposed to estimate this aggregate until broader theoretical investigation 
is made and experience is obtained from the different countries on CTC and 
TGFCF (WTO 4.101).

Consequently, it is proposed to the different countries to test the elaboration of 
Table 8 (TGFCF) and Table 9 (TCC), before estimating these tourism 
aggregates (WTO points 4.88 to 4.93 and 4.94 to 4.98 respectively) at a later 
time.

III.3.3. OECD

OECD TSA maintains the “traditional” concept of identifying Tourism Demand 
(TD) and visitor Tourism Consumption (TC) (OECD 35 and 36).

Nevertheless, the OECD TSA proposes the elaboration of Table 7 (Gross 
Capital Acquisition) and Table 8 (Gross Capital Stock), both for characteristic 
tourism industries, since it is important to ascertain these tourism aggregates 
in spite of the fact that it is difficult to define and measure capital goods that 
have to be included (OECD 113 to 124).

III.3.4. Comments

(a) Tourism Demand (TD) is identified with visitor Tourism Consumption 
(TC) in both documents, until such time as the definitions and 
measurement of tourism aggregates, such as TGFCF and CTC duly documented by the experience of the different countries is available;

(b) The OECD proposal does not take into consideration the definition and 
measurement of the Tourism Collective Consumption (TCC), that can be 
obtained from Table 9 of the WTO document.

(c) The present WTO TSA does not request the elaboration of a table similar 
to Table 8 (Gross Capital Stock) of the OECD, even though it may be 
proposed as a future development;

(d) WTO Table 8 (TFCF) and OECD Table 7 (Gross Capital Acquisition) are 
equivalent and their presentation is compatible with classifications on 
capital goods and characteristic tourism activities.

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8 See reference 3 in Annex 1.
9 See point 4 in Annex 1.
III.4. CLASSIFICATION OF TOURISM PRODUCTS AND ACTIVITIES: CHARACTERISTICITY

III.4.1. WTO

III.4.1.1. Tourism Product Classification

37. Tourism product classifications are composed of:

(a) Tourism product classification, containing the goods and services included in visitor tourism consumption;
(b) Tourism capital product classification;
(c) Tourism non-market collective services classification

The last two are proposed on an experimental basis and, consequently, they are not considered in this chapter.

38. The Tourism Product Classification defines at level one: characteristic, connected and non-specific products. It defines characteristic and connected products. Both of them together give the “tourism specific products” (WTO 3.11). “Non-specific products” are composed of the residual group of all products included in visitor tourism consumption (WTO 3.15).

39. A proposal is made for a “WTO list of characteristic products” (Annex 4) for international comparability. This list is taken into consideration in TSA Tables (14 items). It does not propose a classification of connected products.

40. It recommends that each country elaborate its own “characteristic and connected list of products”, in concordance with the “WTO list of characteristic products”.

III.4.1.2. Classification of Tourism Activities

41. The Classification of Tourism Activities is conditioned by the Tourism Product Classification. That is the reason why characteristic, connected and non-specific activities are shown at the more aggregated level (level one).

42. It defines characteristic and connected activities (WTO 3.19 and 3.20) and provides the “WTO list of tourism characteristic activities (Annex 4) for international comparability”. The proposed list is presented in TSA Tables and in Annex 4 (12 items).

43. A “Classification of connected activities” is not proposed and it is recommended that each country establish its own classification of characteristic and connected activities.
III.4.2. OECD

III.4.2.1. Tourism Product Classification

44. The Tourism Product Classification makes a distinction between:

(a) Tourism Product Classification related to goods and services included in the visitor tourism consumption;
(b) Tourism Capital Goods Classification (produced and non-produced). This classification is not considered in this chapter.

45. The Tourism Product Classification defines at level one: characteristic and all the other products purchased by visitors. It only defines characteristic products (OECD 60) and presents, in the Tables, a Classification of characteristic products (15 items, one of which corresponds to consumer durable goods of single purpose) and a Classification of the other products (11 items) where a short list of goods (5 items) and services (5 items) is proposed.

46. Annex F presents a Table of correspondence with the CCP Version 1 of the United Nations, concerning characteristic and the rest of tourism products presented in the Tables.

III.4.2.2. Classification of Tourism Activities

47. The Classification of Tourism Activities defines at level one: characteristic and all other activities.

48. It only defines the characteristics (OECD 60) and the following is presented in the Tables:

- a Classification of characteristic activities (15 items), and
- a Classification of other activities (11 items) where a list of production activities of goods (5 items) and services (5 items) is proposed, and which corresponds to other products.

III.4.2.3. Comments

49. The OECD document includes some ideas on the “characteristicity” of products and tourism activities (OECD 52 to 59) with a view to adopting pragmatic criteria to define characteristic activities and products (OECD 60), due to the complexity of this subject.

50. The WTO document does not elaborate on this subject. The WTO, in the context of SNA93 recommendations (Chapter 21. 61-62-66) establishes the criteria to define characteristic and connected products and, consequently, to define characteristic and connected activities.
51. In fact, when comparing Product and Activity Classifications proposed by WTO and OECD, there exists a close correspondence between both classifications, if exclusion is made of some formal aspects of terminology of items and levels of disaggregation.

52. For WTO, international comparability will only be established at the level of the Classification of characteristic Products and Activities. For OECD, the TSA would cover, for its corresponding member States, all levels of the proposed Classifications, except for Table 7 (Gross Capital Acquisition) and Table 8 (Gross Capital Stock), proposed only for characteristic activities.

53. The “direct link” between the provider of tourism goods and services and the visitor is a relevant characteristic to determine the productive activities for tourism (WTO 3.21 and 3.22). OECD TSA indicates that a certain degree of flexibility must be used, applying the rule of “preponderance” (OECD 38).

54. In Annex F of OECD document concordance is established between the TSA Classifications of Products and Activities and the United Nations Classifications, ISIC, Rev. 3 and CPC Version 1. On the other hand, in Annex 4 of WTO document this concordance is given only for characteristic products and activities, on a provisional basis, until the revised SICTA and the TPC of WTO and United Nations is available.

III.5. TOURISM CONSUMPTION

III.5.1. WTO

55. WTO maintains “formally” the definition of Tourism Consumption (WTO 2.34) of REC93 (point 85). In fact, if we take into consideration coverage (place and time) as well as composition, important differences appear to make it conform to the concept of “real final household consumption” of SNA93 (SNA 9.96).

56. It defines several aggregates of Tourism Consumption based on types of tourism (WTO 2.43 to 2.49) and specifies the components included in visitor Tourism Consumption, whose expenditure is covered by the visitor main resources (monetary and non-monetary) as well as those components for which consumption is made through transfers in kind (social or not) and the intermediate travel consumption (which come from other resident production units –enterprises, non-profit public administrations and institutions for households-) (WTO 2.50 and Table 2.1.).

57. Consumer durable goods (CDG): relate to tourism CDG (WTO 5.28) and establishes the criteria for its inclusion in tourism consumption (WTO 2.40):

- during the trip, all expenditure on CDG will be included, whatever its type and value;
- before and after the trip, only expenditure in CDG of little value will be included.
58. Second homes owned by the visitor and for a tourism use: tourism consumption includes the “imputed rent” of these second homes, taking into consideration that they may also belong to non residents (WTO 2.63 and Annex 1.H).

III.5.2. OECD

59. The same as in the WTO proposal, TSA OECD “formally” respects the definition of Tourism Consumption (OECD 36) of REC93 (point 85). It differs basically on the fact that it includes second homes belonging to the visitors and of tourism use by its owners, and a limited number of CDG acquired before and after the trip.

60. It specifies that the Tourism Consumption is mainly composed of three parts (OECD 88):

(a) tourism expenditure by the household (and included in the final consumption), +
(b) tourism expenditure by the establishments (and included in its intermediate travel consumption), +
(c) tourism expenditure by non-residents (part of exports).
(d) consumer durable goods (CDG): establishes the criteria for its inclusion in tourism consumption (OECD 105):
   • during the trip all expenditure on CDG will be included, whatever its type and value;
   • before and after the trip, only expenditure on CDG related to tourism will be included, according to a list of 5 goods (Annex B).

(e) Second homes belonging to the visitor and for tourism use: the treatment is the same as the one given by WTO (OECD 106 to 112 and Annex 6). It also includes time-sharing dwellings (OECD 107); this point is not specified in the WTO proposal.

III.5.3. Comments

61. WTO proposal’s objective in relation with the composition of visitor Tourism Consumption (WTO 2.50), with the exception of intermediate travel consumption, is to include it in “real final household consumption” (SNA93 9.96), whilst OECD TSA “seems to have as an objective” (even if it does not explain the non-monetary transactions to be included) to include it in the “final household consumption” (SNA93 9.94), since no explanations are given in OECD document on references to social transfers in kind. No indication is given either on “effective final consumption”.

62. Both proposals maintain as a component of tourism consumption the intermediate travel consumption by production resident units, as the sole exception to the SNA93 standard, since it has always been considered traditionally as a component of the tourism consumption.
63. WTO project proposes the first four Tables for the estimate of several visitor tourism consumption aggregates, while OECD TSA does not propose any table related to consumption.

64. WTO proposal defines several aggregates of Tourism Consumption (up to seven), while OECD TSA only provides Tables 2 and 3, devoted to the balance supply-tourism consumption, presenting four columns to register the consumption by non-residents, households, intermediate travel consumption by enterprises or public administrations and Non Profit Institutions Serving Households (NPISHs) and does not define or register the outbound consumption.

65. The proposal of both projects on the inclusion of consumer durable goods in tourism consumption differs in the case of compiling information before and after the trip: WTO proposes to include only consumer durable goods of small value and the OECD only those of a tourism use, according to the list of the five goods defined.

66. On the other hand, WTO does not determine, for the time being, which are the consumer durable goods of small value, in order that each country may establish a list. The OECD proposes, for its part, to include this kind of tourism goods in the list of characteristic products and, consequently, the OECD introduces a column for the characteristic activity which produces them.

67. Moreover, the WTO project expects to include in future developments, before and after the trip, those consumer durable goods having only a tourism purpose, whatever its value (WTO 5.31). This coincides with the present proposal by the OECD.

III.6. GROSS AND NET VALUATION OF SPECIFIC TOURISM SERVICES

III.6.1. WTO

68. The Tourism Product Classification, to be used in the TSA, identifies three “characteristic” products: travel agency services, tour operator services and tourist information and tourist guide services (UN CPC) and only one characteristic activity which corresponds to these three characteristic services (WTO 2.70). It also identifies the trade of goods acquired by visitors, which is integrated in the classification of connected non-specific products. Therefore, no list is proposed for these goods, since it is recommended that each country should elaborate such a list.

69. The gross and net valuation affects: travel agency services, tour operator services and the trade of goods acquired by visitors (WTO Tables of gross and net valuation).
70. Gross or net valuations do not affect total domestic and outbound consumption (WTO 4.27). They affect inbound consumption inasmuch as some components of the package tour could be produced by residents or non-residents (WTO 4.28 and Annex 5).

III.6.2. OECD

71. The Tourism Product Classification considers only one “characteristic” service, the “travel agency services”, which consists of: travel agency services, tour operators (packagers) and tourist guide services and three services under “other products”: retail trade, wholesale trade and the transport of goods. A list containing five goods is proposed (OECD Tables of gross and net valuation).

72. The only gross valuation that is reflected in the tables is that related to the tour operator characteristic service.

73. There is no indication of the effects of gross and net valuation on inbound consumption.

III.6.3. Comments

74. Both proposals coincide in the following:

(a) There are three types of tourist services to be included in the TSA: travel agency services, tour operator services and trade of goods acquired by visitors, which can be split into two types of valuation:

- the gross valuation that registers the margin of the provider tourism service plus the value of the tourism good or service sold, under the item of the provider service and corresponds to the total value paid by the visitor, and

- the net valuation that only registers the margin of the provider tourism service in that item and the value of the tourism good and/or service sold, in the corresponding item of the Tourism Product Classification.

(b) the gross valuation is in accordance with the consumption expenditure from the demand side, but the tourism supply-consumption balance requires a net valuation, since the gross valuation distorts the structure of the Tourism Product Classification.
III.7. TOURISM VALUE ADDED ESTIMATE (TVA)

III.7.1 WTO

75. In the WTO proposal, three aggregates of tourism supply are considered:
   - Value Added of the Tourism Industries (VATI) (WTO 4.70)
   - Tourism Value Added (TVA) (WTO 4.72)
   - Tourism Gross Domestic Product (TGDP) (WTO 4.78)

76. As in any other economic activity, the VATI is estimated on the basis of available and disposable statistics. Consequently, it is comparable to the Gross Value Added (GVA) of any economic activity.

77. The estimate for the TGDP is the result of the establishment of the tourism supply-consumption balance. This estimate is based on the hypothesis of the share of TVA output sold to visitors (WTO 4.80).

78. The document shows the relation between these three tourism aggregates (WTO Figure 4.1) and does not recommend methodologies to estimate the TVA. Countries therefore have complete freedom to apply the most appropriate and suitable methodology to their statistical structure.

III.7.2. OECD

79. The OECD TSA only considers the TVA aggregate. Nevertheless, in order to determine this aggregate, the VATI related to all tourism activities must be evaluated for characteristic and non-characteristic activities (OECD 250).

80. The OECD TSA establishes a methodology to estimate the TVA (OECD chapter VII and Table 4).

III.7.3. Comments

81. The main objective of the WTO proposal is to provide analytical and detailed information on tourism in all its aspects. Nevertheless, WTO also recognizes that the 10 aggregates recommended for elaboration (including the TVA) may not be the most important features of the TSA but that their important political impact cannot be disregarded (WTO 4.62).

82. The main objective of the OECD TSA is to estimate the TVA. This is the reason why the design of the first four tables is oriented towards this estimate (OECD 208-253-258).
III.8. TOURISM GROSS FIXED CAPITAL FORMATION

III.8.1. WTO

83. Proposes a classification of fixed assets under:

- specific to tourism (12 items) and
- non-specific (3 items)
  (WTO 4.57)

84. This proposal excludes, for the time being, investment in public infrastructure in relation to transport, due to conceptual difficulties and lack of experience in the different countries (WTO 4.90).

85. It is proposed to elaborate, as a test, Table 8 “Tourism gross fixed capital formation for characteristic activities” (WTO 4.56-4.57).

86. WTO does not propose a table showing Tourism Capital Stock. This is only proposed as future developments.

III.8.2. OECD

87. Establishes that the “Fixed capital formation” as well as the “Characteristic tourism industries’ capital stock” is included in the TSA, even if they are not included in Tourism Demand, since there are some difficulties in defining and quantifying them (OECD 112).

88. States that a principle to be applied is that an investment can be considered as “tourism investment” when the capital so employed has (ultimately) a very high tourism usage (OECD 116).

89. Indicates that non-financial and non-produced assets, such as land (OECD 117 and 129) must be included in the TSA, even if not forming part of the Fixed capital.

90. Proposes to elaborate Table 7 “Characteristic Tourism Industries’ Gross Capital Acquisition” (15 items of characteristic activities, 5 items of fixed non-financial and non-produced assets) and a Table 8 “Characteristic Tourism Industries’ Gross Capital Stock” (with a similar design to that of Table 7) (OECD 226 and 237).

III.8.3. Comments

91. Both documents show broad present limitations of methodological and conceptual types, as well as few statistical sources (WTO 4.93 and OECD 113).

92. OECD Table 7 and WTO Table 8 differ essentially in that the OECD Table does not distinguish “tourism specific fixed assets”.

15
93. The OECD TSA proposes to use the “TVA ratio” in order to establish the employment generated by tourism consumption (OECD 215 and Annex H).

III.9. TOURISM EMPLOYMENT

III.9.1. WTO

94. Of the three indicators on employment recommended by the SNA93, the WTO proposal only considers, for the time being, the simplest one: the number of jobs (TSA 4.52).

95. Table 7 Employment in the tourism “characteristic” industries shows the number of tourism establishments and the number of jobs (by gender and status in employment: employees and other) for the 12 items of characteristic activities (TSA 4.51 to 4.55).

III.9.2. OECD

96. The OECD TSA only considers, for the time being, the number of hours worked (OECD 150).

97. Table 5 “Tourism employment of characteristic tourism and other industries” shows the number of hours worked for 14 characteristic items and 10 other activity items (OECD 214 to 218).

98. The OECD has provisionally developed an employment tourism module which accompanies the TSA and which is related to Table 5 (OECD 154, 155).

III.9.3. Comments

99. Both documents coincide in the need to develop and integrate a tourism employment module all the information related to tourism employment and to encourage conceptual and statistical research, due to its importance in national economies.

100. The WTO proposal stresses that employment in characteristic tourism industries is only significant when compared to the Gross Value Added (GVA) of these activities, but is not an adequate indicator in relation to TVA and TGDP (WTO 4.86).

101. The OECD TSA proposes to use a “TVA ratio” in order to determine the employment generated by tourism consumption (OECD 215 and Annex H).
IV. INITIATIVES DEVELOPED BY EUROSTAT

102. EUROSTAT, apart from having participated in all the meetings held at WTO Headquarters (Steering Committee meetings and Ad-Hoc Group meetings) in relation to the TSA, has created its own Task Force on methodological issues linked to tourism. Its first meeting took place on 22-23 October 1998 and this Task Force has analyzed the works on the TSA developed by the WTO and the OECD.

103. During its last meeting on 17-18 May 1999, three documents were presented, of which the one entitled “The Community Methodology on Tourism Statistics and Tourism Satellite Accounts” (document S3/99/08) is considered as the most complete and recent product of EUROSTAT in this respect.

104. Such as is indicated in the minutes of the meeting:

… “When analysing both WTO and OECD latest versions of TSA manuals, the WTO one is more of a general conceptual framework for developing a TSA, whereas the OECD manual is more specific and concrete. Concepts between the manuals are compatible, but how to elaborate the account in detail is left open and needs further studying.

….

Conclusions from the discussions were that the latest version of the WTO TSA conceptual framework is compatible with the ESA-95, the Community methodology on tourism statistics as well as the OECD proposal for a TSA manual, in terms of core concepts and methodological approach. The group agreed that extensions should be voluntary, but transparent when presented to users. To ensure international comparability, guidelines for an operative implementation would be needed for the EU countries. This would be an important task for the group and for Eurostat.

The Task Force noted however that the proposed definition of usual environment in the WTO manual is not completely consistent with established criteria at EU level (and world level). Apart from the two established criteria: frequency and distance, a third one has been introduced, motivation, which might in some cases result to a divergence from the approved tourism recommendations on usual environment.

….

Finally, positions of Eurostat and EU countries on the WTO TSA conceptual framework, technical manuals and other methodological documents need to be taken following normal Eurostat Working Group procedures for approval ….”.

V. THE DEVELOPMENT OF A COMMON TOURISM SATELLITE ACCOUNT CONCEPTUAL FRAMEWORK

"conceptual framework" were adopted. Recognition was also made of “the need to develop jointly, on this basis with OECD, EUROSTAT and other organizations that would like to subscribe to it, a common conceptual framework with a view to its adoption by the United Nations Statistical Commission” (Resolution II, paragraph 2).

106. As previously indicated, apart from the WTO proposal, the OECD is the only institution that has elaborated a document for the development of a TSA for its member countries (which are, in most cases, also WTO Member countries). Moreover, even if EUROSTAT has rejected the idea of the elaboration of a new conceptual framework for its member states, its very character as a Statistical Institution confers it a central role in the development of Tourism Satellite Accounts (TSAs) in the European continent.

107. It is in this context that the above-mentioned resolution approved during the World Conference in Nice must be understood. Its main objective and goal is that the international standard to be presented to the United Nations Statistical Commission (UNSC) be broadly consistent with National Account Systems (SNA93 and ESA95), although it may incorporate certain differences in the accuracy of the definitions and the accounting rules in the different proposals made by the organizations that would like to subscribe to the common framework.

108. This is the reason why, the effort made during these years by the WTO has tended towards the design of a methodological framework, coherent with SNA93, which could take into account not only the great diversity of countries that belong to WTO but also the uneven development of their structural statistics.

109. Consequently, WTO has tried to elaborate a rigorous statistical methodology that could be implemented step-by-step. Different stages in the development of a TSA are proposed (the tables to be prepared, the different levels of disaggregation of products and activities characteristic to tourism, etc.), together with different degrees of coverage of the basic variables. This will permit, in a medium term perspective, the progressive completion of the whole information requested in the tables.

110. This gradual approach to the development of the proposed conceptual framework for the preparation of a Tourism Satellite Account (TSA) suppose, as a logical consequence, that the objective of having a common conceptual framework must be also understood as a process (WTO 0.14).

111. On 12 July 1999 WTO sent a first proposal for the actions to be taken by the OECD and EUROSTAT, in order to point out how our three organizations could approach this common task. For its part, EUROSTAT has presented an alternative plan of action and the OECD, up to now, has not make explicit any proposal.

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10 Annex 2.
11 Annex 3.
112. On 27 September 1999, the WTO will release a second and more concrete proposal with the objective of incorporating new paragraphs in the WTO document in order to show more explicitly the compatibility of the conceptual framework elaborated by the WTO and the OECD reference documents. This second proposal will also set out those points other king of differences between OECD and WTO documents, so that OECD can clarify its definitive position on them. This discrepancy refers to:

- the coverage of tourism consumption in the non-monetary part (not mentioned in the OECD document);
- exclusion of Tourism Collective Consumption and Gross Fixed Capital Formation as part of Tourism Demand.

* * *
ANNEX 1

Additional references

1. The differences in both documents exist as a consequence of the following factors:

- firstly, for the very process of elaboration and for the different type of member countries in each Organization;

- secondly, in the rhythm of development of the proposed tables: the OECD text proposes as actual developments certain points that the WTO considers as future developments;

- also, because of the different points of view. Whilst that of the WTO pretends to be a conceptual framework (although the text also contains significant sections of guidelines for the development of a TSA, as well as historical references, numerous supporting texts in relation to coherence with SNA93 and some paragraphs, whose objective is of a pedagogical character for the non-specialist reader, etc.), that of the OECD is principally oriented to the manner in which the proposed tables should be completed; in that sense, the guidelines and the concrete form of the statistical approximation of the variables have more relevance than the references to the conceptual character and international comparability and, consequently, it is conceded less attention than in the WTO document.

- In other words, while the WTO approach is oriented to be used as an international standard, we think that the OECD approach corresponds to a more operative view with respect to the development of a TSA in OECD countries. This different approach is apparent by the fact that the term “conceptual framework” is only used once in the Summary of the OECD document.

- Another divergence appreciated is the higher degree of development proposed in some cases. For example, only OECD countries can eventually perform some of the proposals indicated in the document, such as preparing a table for “Tourism Gross Capital Stock”, elaborating visitor characteristics related to total and average expenditure, preparing a tourism ratio for tourism employment, identifying as a specific industry “single purpose consumer durables”, etc.

- Finally, in the case of some elements, such as they are drafted in the OECD text, and in the differences noted to that of the WTO, it could be understood that their treatment is opposed, such as in the case of the coverage of tourism demand. We shall come back to this aspect later on.
2. The methodological approach developed by the WTO is more ambitious in at least five cases:

- It broadly develops the concept of “tourism consumption” according to SNA93.

- It considers that “Tourism Collective Consumption” and “Tourism Gross Fixed Capital Formation” must be part of Tourism Demand, in line with the SNA93 (even if, for the time being, the approach to these components would have only an experimental character and, consequently, the estimate of the corresponding aggregates is not proposed). By doing so, the necessary credibility might be reached from the different agents whose cooperation is necessary for the development of a TSA: National Tourism Administrations, National Statistical Offices and Central Banks.

- The need to update the “Recommendations on Tourism Statistics” approved at the United Nations in 1993 has been recognized for three main reasons:
  
  • because of the methodological work carried out during these years for the design of a TSA
  • because of the experience developed by various countries on tasks related to the tourism economic measurement and TSA, and finally
  • because of the necessity that the conceptual framework for the TSA be coherent with SNA93

- It does not limit itself to proposing some tables for the time being, but because it identifies and provides orientation on which future tasks could be undertaken in relation with the designed conceptual framework.

- A great effort has been made to elaborate a set of classifications to be used in order to warrant the international comparability of data to be obtained.

3. Concerning the treatment of “collective consumption”, the proposed solution is different from that of WTO for the following reasons that have been included in the document “TSA: The conceptual framework” prepared by WTO (point 2.82):

“Some have proposed including the consumption of such services within tourism consumption, with the argument that mostly visitors or productive activities principally serving visitors benefit from this expenditure. This is difficult to prove, because there are also benefits that may be derived from some of those expenditure by non-visitors and productive activities not serving visitors. As there is no way of measuring who benefits from such services and how much is the value to be assigned to each beneficiary, assignment of the value of collective services to the different groups would be arbitrary. And since there is no rivalry in acquisition, there is no reason to assign less to each current beneficiary when additional beneficiaries are identified. As a consequence, the method used to assign the value to the beneficiaries would
not allow a proportional pattern. As a result, SNA93 does not permit assignment of the value of collective services to household consumption, and the TSA observes this restriction by not assigning such values to tourism consumption”.

4. Concerning gross fixed capital formation, the treatment given by the OECD has been in line with the work developed by Canada in the elaboration of its TSA and corresponds to a point of view expressed on several occasions, during these years by this country:

“It is in the definition of tourism consumption that we find the explanation for the exclusion of gross fixed capital formation, rather than in the SNA concepts and definitions. This discussion does not preclude interest in developing estimates of gross fixed capital formation that are associated with tourism, but they must be shown separately, and not included as part of tourism consumption”.

This perspective is included in paragraph .323 of the OECD document in a slightly different form, where the draft seems to be a defensive position against those who might be tempted to abusively increase the importance of tourism in the economy.
ANNEX 2

WTO proposal for action to be taken by
WTO – OECD – EUROSTAT

Madrid, 12 July 1999

Mr. C.L. Kincannon
Chief Statistician and
Director of Statistics Directorate
Organisation for Economic Co-operation and Development (OECD)
2, rue André Pascal
75775 Paris (Cedex 16)
France

Dear Mr. Kincannon,

I am pleased to get in touch with you to let you know of my telephone conversation of Thursday 6 July with Mr. Richard Roberts, as Coordinator of the United Nations Statistical Commission and Secretary of the ACC Subcommittee on Statistical Activities.

This conversation mainly concerned the way in which we should present the draft Tourism Satellite Account (TSA): The conceptual framework to the next meeting of the Statistical Commission’s Working Group on International Statistical Programmes and Coordination to be held from 29 February to 2 March 2000 and the work to be done in future months to achieve this end.

It is possible that on 31st July 1999 the Economic and Social Council of the United Nations may decide on the suppression of the above-mentioned Working Group. This will be the most likely situation and, in that case, the documentation to be presented by WTO could be evaluated by the Statistical Commission during the year 2000.

In other words, the goal of having the Tourism Satellite Account (TSA): The conceptual framework and the classifications of products and activities duly approved by the United Nations could be reached, if that would be the case, a year earlier than expected. The reason is a procedural one since, in the case that the “Statistical Commission’s Working Group on International Statistical Programmes and Coordination” continues to function, its mission would only be to present to the United Nations Statistical Commission the documents prepared by WTO to be studied and evaluated during the year 2001.
The documentation that WTO will present at the meeting of end-February 2000 will be as follows:

- the first document will be a short text, where documents 3 and 4 presented by WTO will be given a final evaluation from other international organizations. Ideally, these documents should be a formal communication from EUROSTAT and OECD to the United Nations Statistical Commission stating their support of these documents. In that case, the document should be signed by Mr. Francesco Frangialli (as Secretary-General of WTO), by Mr. Yves Franchet (as General Director of EUROSTAT) and Mr. L. C. Kincannon (as Director of Statistics Directorate in OECD);

- the second document would be an explanation of the process followed for the preparation of the Tourism Satellite Account;

- the third document would be the *Tourism Satellite Account (TSA): The conceptual framework*

- the fourth document would be the Classification of Tourism Activities and Products.

If we take into consideration the possible suppression of the “Statistical Commission’s Working Group on International Statistical Programmes and Coordination” already mentioned—and this, of course, is good news since the whole process could, eventually, be reduced in one year-, this will oblige us to accelerate our working time schedule, since it is necessary for the United Nations Statistical Commission to receive all the above-mentioned documents in the following languages: Arabic, Chinese, English, French, Russian and Spanish.

Further to the communication sent by Mr. Francesco Frangialli to Mr. Yves Franchet and Mr. Herwig Schlögl (of which copies were sent to you), and further to the conversation with Mr. Richard Roberts, we have defined a proposal for time schedule and action plan.

I believe that all the commitments that we assume and that we propose, apart from being feasible, correspond to the content and the spirit of the Resolutions approved during the Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism.

From this point of view, we are extremely grateful for the proposal made by you to hold an urgent meeting in Luxembourg in order to establish, among other possible topics, the plan of action necessary to decide on the time schedule and the format of the mandate received from the World Conference for the three institutions.

Before stating our proposal, I must stress that my telephone conversation with Mr. Richard Roberts was a follow-up of his e-mail sent on 2 July 1999 to WTO, EUROSTAT and OECD related to the next meeting of the ACC Subcommittee on Statistical Activities (to be held at WTO Secretariat Headquarters on 14-16 September 1999):
“3. We will include an update on the TSA. A brief status report (no more than 2-3 pages) would be helpful for the Subcommittee. Following the outcome of the Nice meeting it would be good if the report were prepared as a joint one by WTO, OECD and EUROSTAT.....Alternatively, reports from WTO and OECD on actions/plans to implement the Nice outcome would do the job”.

Our proposal is as follows:

**July 1999:**

- Information meeting at EUROSTAT in order that the three institutions (EUROSTAT, OECD, WTO) can establish a unique proposal of cooperation together with the most appropriate mechanisms of decision to warrant that by 18 December 1999 the above mentioned text could be signed jointly.

- Apart from that, we would appreciate if Mr. Niels Langkjaer could evaluate and document his opinion on the proposal of Classifications of Tourism Products and Activities presented by WTO during the World Conference, before the meeting of the United Nations Expert Group on International Economic and Social Classifications that will be held from 15 to 17 November 1999.

- In case we are unable to meet during the month of July, we think that this meeting ought to take place before the 10th September 1999.

- The results of our meeting and the agreements reached will be handed over to Mr. Richard Roberts during his stay in Madrid for the ACC Subcommittee on Statistical Activities (14-16 September 1999).

**September 1999:**

- WTO will present a document at the ACC Subcommittee on Statistical Activities, as requested by the United Nations, with our opinion on the following texts:
  - “Draft OECD Guidelines for a Tourism Satellite Account” (presented by the OECD during the World Conference in Nice)
  - “The Community Methodology on Tourism Statistics and Tourism Satellite Accounts” and “Minutes of the Task Force Meeting on Methodological issues linked to Tourism” (mainly on point 4.”Methodological issues linked to the implementation of tourism satellite accounts in European countries”).

- We think that EUROSTAT and OECD should also present their corresponding documents in order to be able to identify from the beginning which are, from their respective points of view, the points of divergence with respect to the conceptual framework necessary to elaborate a Tourism Satellite Account as presented in the WTO document that will constitute, with the appropriate modifications to be introduced, the third document that the WTO Secretariat will present to the United Nations.
October 1999:

- WTO Secretariat has already communicated to the OECD its disposition to participate at the Tourism Committee meeting to be held on 14 and 15 October 1999.

- WTO will send to OECD the same text as the one presented at the ACC Subcommittee on Statistical Activities, in order to be distributed to the different delegates as a document of the Agenda.

- This means that the WTO requests, from this moment, that OECD include, as a specific point of this meeting, the discussion on the procedure of approval by the United Nations of the conceptual framework for the elaboration of Tourism Satellite Accounts.

- Moreover, WTO suggests to EUROSTAT to convene the above-mentioned Task Force to have its views on the documents presented in Nice by OECD and WTO (specially from the point of view of the approval process by the United Nations) since they were not studied and analyzed during the last meeting held on 17-18 May 1999.

- If EUROSTAT accepts this proposal, WTO would very warmly accept to be present at this meeting if invited to do so, and would ask EUROSTAT to transmit to all the delegates the text presented by WTO at the ACC Subcommittee on Statistical Activities in September 1999.

November 1999:

- WTO has already communicated to OECD its decision to participate at the meeting of 8-9 November 1999 of the Statistical Working Party of the Tourism Committee.

- On the basis of the proposals contained in the documents presented during this period by the different organic bodies of EUROSTAT and OECD, WTO will include in the document *Tourism Satellite Account (TSA): the conceptual framework* those modifications that might be considered necessary. This new revision of the document will be presented to the United Nations for its approval.

December 1999:

- WTO would greatly appreciate receiving an invitation from EUROSTAT to participate at its Statistical Committee meeting to be held at the beginning of December.

- In that case, we would be grateful that the EUROSTAT Statistical Committee could distribute the above-mentioned new text, including in its Agenda a specific item related to the process of acceptance by the United Nations of the conceptual framework for the elaboration of Tourism Satellite Accounts.
- Apart from this text, WTO would present at that meeting the new version (in English) of the above mentioned document.

March 2000:

- WTO will present a first proposal for a questionnaire to be sent to those countries having elaborated a Tourism Satellite Account in order that they could provide to the different international organizations, in a unique format, their data, such as requested on the Resolutions approved during the World Conference.

As you can see, WTO Secretariat is prepared to make any effort requested from us.

I trust to be able to see you soon.

Yours sincerely,

Antonio Massieu
Chief, Statistics and Economic Measurement of Tourism

cc. Mr. Pedro Diaz (EUROSTAT)
Mr. Richard Roberts (UNSD)
Mr. Wolfgang Hübner (OECD)
Mr. Alain Dupeyras (OECD)
ANNEX 3
EUROSTAT - Proposed Action Plan for the elaboration of a common conceptual framework for TSA

Follow-up of the Nice conference on the measurement of the economic impact of tourism (15-18 June 1999)

EUROSTAT PROPOSAL FOR A JOINT ACTION PLAN

Partners involved: WTO, OECD, Eurostat and member countries of respective organisation

1. Introduction

Eurostat proposes in this document to formulate a joint action plan between the WTO, the OECD and Eurostat, in order to achieve the objective of developing a "Common conceptual Tourism Satellite Account framework". This follows the conclusions of the CES meeting, held in 14-16 June 1999 in Neuchâtel, the resolutions from the Nice conference, held 15-18 June 1999, as well as many countries concern for having one framework at international level to give guidelines on how to develop tourism satellite accounts. This joint process thus constitutes a concrete outcome of these conclusions.

The joint action plan aims at defining the tasks to be undertaken, the division of work, the decision-making procedure and the establishment of a preliminary timetable. The action plan should be communicated and approved by all partners.

2. Development of a joint process

The development of a joint process follows the conclusions of Neuchâtel and Nice, as well as reflecting the needs of many countries for one common framework for the compilation of satellite accounts on tourism.

2.1 CES conclusions

At the Conference of European Statisticians, in the frame of United Nations Economic and Social Council, held 14-16 June 1999 in Neuchâtel, point 4 on tourism of the Bureau meeting, the following conclusions were drawn:

1. The Bureau recommended that one agreed manual on international level on the development of tourism satellite accounts should be submitted to the UN Statistical Commission;

2. The manual should be compatible with the SNA-93.
The CES also recommended forwarding these conclusions to the Nice conference. These conclusions were also communicated to Eurostat, OECD and UN representatives present at the conference.

**2.2 Nice resolutions**

At the Nice conference on the measurement of the economic impact of tourism, held 15-18 June 1999, the conclusions reached at the CES meeting were raised by UN, OECD and Eurostat representatives. During the closing session, where the Nice Resolutions were presented and discussed, this position was further enforced by interventions by several EU countries (e.g. France, United Kingdom, and Netherlands).

Resolution V of the Nice conference clearly reflected the conclusions of the CES and the position of several countries. This resolution recognises the work done by the OECD on tourism economic accounts and that of Eurostat in developing the Directive on tourism statistics, the establishment of a database on harmonised statistics on tourism and the recent work in the frame of a Task Force to explore the feasibility of implementing tourism satellite accounts in EU countries.

Moreover, Resolution V recommends that a "Common conceptual Tourism Satellite Account framework", a common questionnaire for collecting data following this framework and associated technical manuals should be developed jointly by the WTO, the OECD and Eurostat. The "Common conceptual Tourism Satellite Account framework" should then be forwarded to the UN Statistical Commission for adoption.

Resolution V also notes that both the WTO manual and the OECD guidelines on tourism satellite accounts are still provisional and require revisions. Concerning Resolution II, point 2 on the adoption of the principles in the WTO TSA framework, several countries and international organisations asked the WTO to modify this point to be in line with Resolution V, which states that the existing manual is still provisional.

During the conference, the UN representative stated that they are in favour of the above mentioned procedure and would support an adoption of the Statistical Commission of a "Common conceptual Tourism Satellite Account framework". Preliminary date set for adoption is March 2001. In addition, the UN wishes that a progress report should be presented to the Statistical Commission in March 2000.

**2.3 Work on definitions and classifications**

During Workshop 3: "Developments of definitions and classifications for tourism statistics. Tourism policy areas" at the Nice conference, Eurostat recommended that all planned revisions of definitions should be based not only on the needs of a TSA manual, but mainly build on real experiences in countries in implementing the UN/WTO definitions on tourism statistics, in particular in the perspective of that many of these definitions are now part of the ‘acquis communauté’ in the form of implementing measures of the Council Directive on tourism statistics.\(^\text{12}\)

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Moreover, Eurostat recommended that planned developments of the tourism classifications could, apart from following the ISIC and CPC classifications, benefit also in their application from taking into account recent and planned revisions of the EU classifications on products and activities (CPA and NACE), especially the changes done in the CPA 1996.

These aspects should also be part of the joint process and be treated in a similar manner as the work on the "Common conceptual Tourism Satellite Account framework".

3. WTO-OECD-Eurostat joint action plan

Following the conclusions of the CES meeting and the resolutions of the Nice conference, Eurostat proposes to set up a "WTO-OECD-Eurostat joint action plan" for the development of a "Common conceptual Tourism Satellite Account framework". Partners involved in this process are, apart from the WTO, the OECD and Eurostat in their roles of carrying out leading work on the development of international tourism statistics, also the respective member countries.

By establishing a joint process the final manual will build upon the experiences and specific expertise of all three organisations and member countries, and therefore gain the credibility needed for such framework among users. This facilitates also the task for producers, who will have one general framework to follow when implementing a tourism satellite account.

3.1 Objective

The aim for establishing a "WTO-OECD-Eurostat joint action plan" is to specify the actions needed to develop a "Common conceptual Tourism Satellite Account framework", clarify the division of work among the partners, decide the appropriate decision-making procedure and establish a preliminary timetable with the objective of forwarding the framework to the UN Statistical Commission in March 2001.

3.2 Actions and division of work

An important part of the joint action plan is to clearly distinguish the division of work, taking into account the specific experience of each partner, in particular the fact that both WTO and OECD have worked a lot on developing guidelines for the development of tourism satellite accounts and Eurostat in its work on implementing the Directive, which has led to an experience of practical implementation of methodology, definitions and classifications. Of essential importance is obviously also the experience of countries in implementing satellite accounts. All this experience is needed to achieve a common conceptual framework.

Therefore, a list of actions should be set up, giving details of what should be achieved, by whom and for when. The list should include both drafting and structuring of the manual as well as specific technical matters which need further consideration. The list can obviously be extended/modified during the joint process, but the partners should inform each other of eventual proposals for changes of the
list. Moreover, the deadlines must be co-ordinated with the established timetable. Proposals for actions can come from all partners and should be agreed upon by the inter-secretariat group (see section 4.1).

It should be emphasised however that the list of actions does in most cases not imply completely new work to be undertaken. Most of the issues have already been discussed and proposed solutions exist, even though they might slightly differ between the two existing manuals. The purpose of establishing a list of actions is therefore mainly to make sure that a common agreement can be reached on all issues relevant for the final version of the "Common conceptual Tourism Satellite Account framework" and at the same time provide the basis for any eventual need to treat additional technical issues. Hence, the list of actions should be seen as an operational tool for the joint process in order to easy achieve the objective of a UN adoption of the framework in 2001. This approach can also be helpful for countries and other partners in giving transparency to the joint process.

Below follows a first draft list of actions, which is for discussion at the first inter-secretariat meeting.

**LIST OF ACTIONS**

<table>
<thead>
<tr>
<th>Task:</th>
<th>Description of task:</th>
<th>Responsible partner</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Structure of the framework</td>
<td>Propose a final structure for the manual, taking into account the existing two WTO and OECD documents.</td>
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<tr>
<td>2. Basic definitions</td>
<td>Propose a final decision on basic definitions and other technical details, such as usual environment, valuation principles, statistical unit, etc.</td>
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<tr>
<td>3. Definition of tourism demand</td>
<td>Propose a final decision on the definition of tourism demand, in particular tourism consumption, tourism expenditure and linked issues.</td>
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<tr>
<td>4. Basic concepts of tourism supply</td>
<td>Propose a final decision on the basic concepts of tourism supply (goods and services, characteristic industries).</td>
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<td></td>
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<tr>
<td>7. Treatment of tourism gross fixed capital formation</td>
<td>Propose a final decision on the treatment of capital acquisition related to tourism and purchase of land.</td>
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<tr>
<td>8. Treatment of other technical issues</td>
<td>Propose a final decision on the treatment of other technical issues, such as travel agency and tour operator services, package tours, frequent flyer programs, tourism bureaux and non-market production (tourism collective consumption), etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Tourism value added</td>
<td>Propose a final decision on how to calculate tourism value added (tourism GDP).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Tables and aggregates</td>
<td>Propose a final decision on the tables and aggregates to include in the manual, guidelines for compilation and worksheets.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. General terminology</td>
<td>Propose a final decision on the terminology to be used (check for coherency with tourism statistics terms and national accounts concepts).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Compatibility and coherency issues</td>
<td>Check that the manual is coherent and compatible with tourism definitions and the 'acquis communautaire' (relevant for Eurostat).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Data sources</td>
<td>Propose text for the part of the manual on possible data sources and practical implementation (or part of a technical manual?).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Classifications</td>
<td>Propose a final decision on all aspects linked to classifications in the manual. Propose also a final decision on tourism classifications on activities and products (SICTA, TPC).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Annexes</td>
<td>Propose a final decision on what annexes to include in the manual.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Further extensions</td>
<td>Propose a final decision on suggestions for further extensions to be included in the manual.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Common questionnaire</td>
<td>Draft a proposal for a common questionnaire to collect information following the TSA framework.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Technical manuals</td>
<td>Draft proposals for technical manuals on the practical implementation of the TSA.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Drafting of progress report</td>
<td>Draft the progress report to be presented to the UN Statistical Commission in March 2000, taking into account the joint process.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3.3 Joint decision-making procedure

The joint process should establish a decision-making procedure in order to advance the work, assuring on one hand that all partners are involved and on the other hand also agree on the decisions taken. This procedure depends primarily on the respective organisation's own decision procedure. All decisions of common interest for the work on the "Common conceptual Tourism Satellite Account framework" should be taken in all relevant committees to gain full pertinence and legitimacy. Thus, each organisation should define its relevant decision process in order to establish the "joint decision making procedure".

In the case of Eurostat, as an example, there is preparatory technical work carried out in the frame of a Task Force, which in turn submits the conclusions for discussion and decision to the Working Group. For matters having an impact on other domains of Eurostat activities (in this case for example classifications and national accounts), it might be necessary to inform also other working groups. As a final step the Statistical Programme Committee (SPC) discusses and takes a decision on the issue. The SPC is the formal decision-making body for statistical issues within the Community system (delegated from the Council of Ministers).

[Add WTO and OECD decision-making procedures.]
3.4 Preliminary timetable

Concerning the timetable, the partners need to respect the list of actions and its deadlines as well as the joint decision-making procedure. The timetable must be adapted accordingly. The timetable should be established as detailed as possible already in the beginning of the joint process, in order to foresee all important steps and eventual problems or risks to avoid unnecessary delays. The deadlines fixed in the list of actions should be set taking into account the general timetable.

There are two important dates which are more or less fixed already: March 2000 for delivering a progress report to the UN Statistical Commission on the on-going work on the "Common conceptual Tourism Satellite Account framework", and March 2001 when the framework is planned to be adopted. Other details of the timetable are still to be defined. Apart from including scheduled meetings in the timetable, it should also include milestones (as for example final structure fixed, agreement on basic definitions, etc) following the list of actions defined.

Below follows a first draft timetable, which should be completed with information from the OECD and the WTO and be discussed at the first inter-secretariat meeting.

Preliminary timetable

<table>
<thead>
<tr>
<th>Time:</th>
<th>Event (meeting, milestone, etc):</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Sep 1999</td>
<td>First Inter-Secretariat Working Group meeting</td>
</tr>
<tr>
<td>14-16 Sep 1999</td>
<td>ACC Subcommittee on Statistical Activities (UN)</td>
</tr>
<tr>
<td>24 Sep-1 Oct 1999</td>
<td>WTO General Assembly</td>
</tr>
<tr>
<td>30 Sep 1999</td>
<td>Milestone I: Agreement by all partners of the joint process, work started on most of the identified actions.</td>
</tr>
<tr>
<td>28-29 Oct 1999</td>
<td>Eurostat Task Force meeting</td>
</tr>
<tr>
<td>8-9 Nov 1999</td>
<td>OECD Statistical Working Party meeting</td>
</tr>
<tr>
<td>Autumn 1999?</td>
<td>WTO Committee meeting</td>
</tr>
<tr>
<td>1-2 Dec 1999</td>
<td>Eurostat Working Group meeting</td>
</tr>
<tr>
<td>31 Dec 1999</td>
<td>Milestone II: Work started (some completed, e.g. 1, 2…) on all of the identified actions, draft Progress report for the UN Statistical Commission ready.</td>
</tr>
<tr>
<td>29 Feb - 2 Mar 2000</td>
<td>Progress report to the UN Statistical Commission's Working Group on International Statistical programmes and Coordination</td>
</tr>
<tr>
<td>Spring 2000</td>
<td>Eurostat Task Force meeting</td>
</tr>
<tr>
<td>Spring 2000?</td>
<td>WTO Working Group meeting</td>
</tr>
<tr>
<td>Spring 2000?</td>
<td>OECD Experts group meeting</td>
</tr>
<tr>
<td>Spring 2000</td>
<td>Information to other Eurostat and OECD committees (classifications, national accounts)</td>
</tr>
<tr>
<td>31 Jul 2000</td>
<td>Milestone III: Complete draft of the framework ready, draft proposals for all of the identified actions, only minor amendments remaining.</td>
</tr>
<tr>
<td>Autumn 2000</td>
<td>Evaluation by the UN Statistical Commission</td>
</tr>
<tr>
<td>Sep 2000</td>
<td>Eurostat SPC meeting</td>
</tr>
<tr>
<td>Autumn 2000?</td>
<td>OECD Statistical Working Party meeting</td>
</tr>
<tr>
<td>Autumn 2000?</td>
<td>WTO Committee meeting</td>
</tr>
<tr>
<td>Oct 2000</td>
<td>Eurostat Working Group meeting</td>
</tr>
<tr>
<td>(Nov 2000)</td>
<td>Eurostat SPC meeting</td>
</tr>
<tr>
<td>31 Nov 2000</td>
<td>Milestone IV: Final draft ready, final decisions on all identified actions, agreement by all partners of the final draft, all actions completed.</td>
</tr>
<tr>
<td>March 2001 (or autumn 2000?)</td>
<td>Adoption of the &quot;Common conceptual Tourism Satellite Account framework&quot; by the UN Statistical Commission</td>
</tr>
</tbody>
</table>
4. Next steps

4.1 Inter-secretariat Working Group

To co-ordinate the work in the frame of the joint process, Eurostat proposes to establish a "WTO-OECD-Eurostat Inter-secretariat Working Group", with the task to make the joint action plan operational in order to finalise the "Common conceptual Tourism Satellite Account framework" and ensure its adoption in 2001.

This group would facilitate the joint work between the partners in defining concrete actions to be undertaken and the division of work, define if additional technical work is needed, provide a forum for exchange of information and follow-up on the progress on work undertaken, follow-up of the timetable and in general co-ordinate all work needed for the adoption process.

The periodicity of the meetings could follow an ad hoc approach, depending on the advancement of works, and could be held on a rolling schedule (including chairman ship) at the site of each organisation (Madrid, Paris, and Luxembourg). In between meetings the secretariats can keep informed of the work progress and communicate with each other via e-mail.

4.2 Transparency

It is important to emphasise that during the whole joint process an effort of transparency must be done by all partners. This involves that partners should be regularly and thoroughly informed of the progress of on-going work in the inter-secretariat group, especially on the advancement of actions. Minutes from task forces and other technical groups, working groups and committees should circulate among all partners. All other useful information of interest to partners and linked to this issue should also be encouraged to circulate. By having an efficient exchange of information among partners in the joint process, the objective of finishing the "Common conceptual Tourism Satellite Account framework" will be easier achieved.

Member states, which are the partners that will work in practice on implementing satellite accounts, must be encouraged to participate as much as possible during the process. Their contributions are of utmost importance and enhance the value of the manual.

Finally, this joint action plan should be communicated to all partners, in particular be presented and discussed in all relevant working groups and committees of the WTO, the OECD and Eurostat, to gain their agreement, suggestions for modifications or other important comments.

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**Key terms in the joint process:**
Common conceptual Tourism Satellite Account framework  
WTO-OECD-Eurostat Joint action plan  
WTO-OECD-Eurostat Inter-secretariat Working Group  
Joint decision-making procedure
Annex 5

MEASURING ECONOMIC IMPACTS OF TOURISM

REPORT

Report presented by the World Tourism Organisation to the thirtieth session of the United Nations Statistical Commission describing the following documents:

- the *Tourism Satellite Account (TSA): Methodological references*
- the *List of Tourism Specific Products (related to visitor consumption) (TSP)*
- an *Update of the 1994 UN and WTO Recommendations on Tourism Statistics.*

* * * * *
MEASURING ECONOMIC IMPACTS OF TOURISM
REPORT

1. Five years ago, when considering the design of a Satellite Account for tourism, a number of options were reviewed, as the recommendations concerning the construction of functional Satellite Accounts allow for great flexibility in establishing the link of such Accounts to the central framework of System of National Accounts adopted in 1993 (SNA93). It was decided\(^1\) that the consistency of the Tourism Satellite Account (TSA) with the main aggregates of SNA93, such as GDP, was to be considered a basic requirement. As a consequence, the production boundary adopted for the TSA was totally consistent with that of SNA93.

2. The fundamental structure of the TSA is based on the general balance existing within an economy between the demand of goods and services generated by tourism and their supply. The idea is to analyze in detail all aspects of demand of goods and services which might be associated to tourism within the economy, to observe the operational interface with the supply of such goods and services within the same economy of reference, and to examine how this supply interacts with other economic activities.

3. The elaboration of such a set of concepts, definitions, classifications, tables and aggregates for the analysis of tourism would not have been possible without the development of tourism statistics which were fostered by the WTO International Conference on Travel and Tourism Statistics held in Ottawa in 1991, the adoption of the WTO/UN Recommendations on Tourism Statistics in 1994, the publication of SNA and of the IMF 5\(^{th}\) Manual of Balance of Payments in 1993, and of ESA95 for the European Union by EUROSTAT in 1995, the contributions of OECD in upbringing instruments of statistical analysis of tourism, and last but not the least, the experience of countries which already disposed of such an instrument (among which Canada deserves a very special mention). Because of all these different inputs into the design of the TSA, the Tourism Satellite Account (TSA): Methodological references can rightly pretend to be a new statistical international standard which could allow for valid comparisons from country to country and between groups of countries. Nevertheless, it is clear that regional organizations might need to make some adjustments in order to take into consideration the specificity of their member countries.

4. Since the beginning of the process in 1995, the focus was on the development of an adequate representation both of the specific aspects of tourism, and of the special characteristics of the information corresponding to tourism products and activities. The topics debated can be classified in two broad categories:

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\(^1\) In the WTO Steering Committee (created after the Ottawa Conference, 1991) and in the OECD Statistical Working Party of the Tourism Committee.
• **Concepts:** It was necessary to define the scope of tourism so that it could be included within the framework of National Accounts (following Chapter XXI of SNA93, this required to define the goods and services specific to tourism). It was also necessary to define the basic concept of demand associated to tourism (visitor consumption) in which tourism business expenses (limited to the expenditures on transport and accommodation of employees on business trips and those made by business on behalf of guests outside their usual environment) were also to be included. Finally, the detailed study of tourism consumption lead for instance to the identification of a specific tourism activity to be associated with the ownership of a second home used mainly for tourism purposes.

• **Presentation of results:** The special focus associated to the TSA required many adjustments to the classical presentation of National Accounts data, among which the following are pointed out: a reclassification of goods and services; the identification of tourism industries as the set of establishments which principal activity is a tourism characteristic activity; a net valuation of package tours and of the services provided by tourism agencies, the breakdown of the value of goods acquired by visitors between the distribution margins and the rest of the value of the goods, etc..

5. Besides these technical aspects, the statistical design had to take into consideration the fact that its implementation would occur in countries at very different stages of statistical development in tourism. Even the countries more advanced in that matter do not have the whole set of statistical information which is required for the full compilation of the proposed TSA. For this reason, it was necessary to consider a design which would allow for a gradual implementation, and consequently also a gradual international comparability of results. This gradual procedure expresses in two main aspects:

• In the different priority assigned to the ten tables which make up the proposal (the basic core of TSA in the first stage of its implementation is related to tables 1 to 7 and 10). As a consequence, these are the tables (and the associated aggregates) to be used for international comparison for the time being;

• In the limitation in the level of aggregation of products and activities which shall be used initially for international comparability of results (and of the associated tourism characteristicity of products).

6. It must be emphasized that WTO was not alone in the statistical design of the TSA. Other institutions such as OECD \(^2\) and EUROSTAT \(^3\) were also involved and without their contributions, the project would not have culminated. Agreements were reached on the treatment of different issues most of them

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\(^2\) In 1992, OECD developed its Tourism Economic Accounts, and in 1995, it issued its first guidelines for a Tourism Satellite Account.

\(^3\) EUROSTAT developed a legal framework, which was adopted in 1995, in order to create an integrated system of basic statistical information on tourism supply and demand within the countries of the European Union.
crucial to the project such as the identification of the aggregates to characterize the size of tourism, the clarification of the boundaries of visitor consumption, the determination of the scope of consumer durables and of tourism gross fixed capital formation, etc. Agreements do not mean necessarily that there is an unanimous view on the proposal. This should not be expected, as a major homogeneity in the statistical infrastructure of their member countries might lead to establish stricter criteria in the definitions and accounting rules and to differences in the presentation of results, as it has been the case in Europe for instance for the System of National Accounts (ESA95).

7. In September 1999 two months short after the celebration of the WTO Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism, the creation of a WTO-OECD-EUROSTAT Inter-Secretariat Working-Group with the object of establishing a common conceptual framework for the development of the methodological design of the TSA and promoting its implementation in their respective member countries, is a guarantee of a new promising collaboration. The presentation of this new statistical instrument is the first result of this collaboration, but will not be the last; the next one should be the development of a common questionnaire where the different levels of aggregation and coverage of the results of TSAs (required by the different organizations and related, for the time being, to the basic core of the proposal) could find their place.

8. Existing international recommendations and the development of tourism statistics in the last years had a decisive contribution to the realization of this project. Nevertheless, at the same time, its own development made it clear that in various areas, an Update of the 1994 UN/WTO Recommendations on Tourism Statistics was necessary, which would:

- clarify terminology which interpretation seems ambiguous as, for instance: the use of the concepts of residence and of economic territory; the transposition of the concept of household final consumption to that of the consumption of visitors, the creation of a new subcategory of same-day visitors: “in transit visitors”, etc.. As a consequence, an update of 4 paragraphs within the three first chapters of Part I is proposed, as well as some formal adjustment to some others;

- enhance the scope of the analysis of the economic impact of tourism, which is presently restricted to the component of visitor consumption in cash. As a consequence, a completely new wording for Part I Chapter VI is proposed, as well as Chapter I Section B “The need for tourism statistics”;

- finally, the elimination of Part I Chapter VII referring to future work to be done by WTO, would be convenient as it has already been achieved.

9. The 1994 UN/WTO Recommendations on Tourism Statistics only considered a classification of tourism activities: the SICTA, included as Part II of the Recommendations. The development of the TSA requires also the existence of a list of products specific to tourism, referring exclusively to those
consumption goods and services which are acquired by visitors, not only as a component to the list of tourism activities adopted in 1994, but also with the object of its immediate use in the measurement of the economic impacts of tourism. As a consequence, a provisional List of Tourism Specific Products (related to visitor consumption) (TSP) is included as a new Part III of the Recommendations. This brings an additional adjustment to the present Part I Chapter IV of this document in order to bring it in line with this new Part III.

10. The presentation of the three referred documents must be understood as a first step in a process of methodological development of this new statistical instrument and as a building process to guide countries in the development of their own system of tourism statistics, the main objective being the completion of the TSA, which could be viewed as a synthesis of such a system. Consequently, its progressive implementation by countries will make it necessary in the future to update some of the recommendations included in this proposal, if adopted, as well as to promote new developments regarding classifications of products and activities, broader fields of application (national tourism indicators, balance of payments analysis, regional level,…), specific modules (employment, government revenues, …), etc.
ANNEX

1. The process followed in developing the TSA from March 1995 to the time of presentation before the United Nations Statistical Commission of the “Tourism Satellite Account (TSA): Methodological references” is as follows:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Work began (month/year)</th>
<th>Number of participating countries (a)</th>
<th>Number of meetings (b) (c)</th>
<th>TSA drafts prepared</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTO</td>
<td>June 1996</td>
<td>37 (d)</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>OECD</td>
<td>March 1995</td>
<td>29</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>EUROSTAT</td>
<td>October 1998</td>
<td>6</td>
<td>3</td>
<td>- (e)</td>
</tr>
</tbody>
</table>

(a) Average number of countries participating in the meetings.
(b) Up to end 1999.
(c) The three Organizations (WTO, OECD and EUROSTAT) have always been invited in each other’s meetings.
(d) An average of 9 organizations and 5 industry representatives also participated in WTO’s meetings.
(e) EUROSTAT has not sought to develop a new alternative to the design of a TSA.

2. The following experts have cooperated over the years in the preparation of the various documents presented:

Dr. A. Franz (Austria), former Head of National Accounts Department at the Austrian Central Statistical Office, expert in tourism statistics and analysis;

Dr. D. Frechtling (USA), Associate Professor of Tourism Studies (George Washington University) and expert in tourism analysis and in the measurement of tourism economic impacts;

Mr. F. Hernandez (Spain), Head of the Department of Statistical Classifications in the “Instituto Nacional de Estadística” (National Institute of Statistics);

Mrs. M. Libreros (France), expert in National Accounts and responsible for the various versions (6) of the WTO proposal for a TSA;

Mr. A. Pisarski (USA), expert in tourism and transport statistics and classifications;

Prof. J. Quevedo (Spain), former President of the “Instituto Nacional de Estadística” (National Institute of Statistics) and Head of National Accounts Department.

**States:**
Albania, Algeria, Andorra, Anguilla, Argentina, Australia, Austria, Azerbaijan, Bahrain, Belize, Benin, Bosnia and Herzegovina, Botswana, Brazil, Burkina Faso, Canada, Cape Verde, Central African Republic, Chile, China, China Hong Kong SAR, Comoros, Congo, Costa Rica, Côte d’Ivoire, Cuba, Denmark, Djibouti, Dominican Republic, Ecuador, Egypt, Estonia, Fiji, Finland, France, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Haiti, Hungary, India, Indonesia, Iran, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Latvia, Libyan Arab Jamahiriya, Lithuania, Luxembourg, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mexico, Monaco, Morocco, Mozambique, Namibia, Netherlands, New Zealand, Niger, Nigeria, Norway, Oman, Pakistan, Peru, Philippines, Poland, Portugal, Russian Federation, Rwanda, Saint Lucia, Senegal, Seychelles, Singapore, Slovakia, South Africa, Spain, Sri Lanka, Swaziland, Sweden, Switzerland, Thailand, The Former Yugoslav Republic of Macedonia, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Kingdom, United Republic of Tanzania, United States of America, Uzbekistan, Venezuela, Yemen, Yugoslavia, Zimbabwe

**Permanent observer to WTO:** Holy See

**Territories:**
Aruba, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Comunauté Flamande de Belgique, French Polynesia, Madeira, Montserrat, Netherlands Antilles, Puerto Rico, Saint Maarten
Annex 6

Proposed amendments to the document

TOURISM SATELLITE ACCOUNT (TSA):
METHODOLOGICAL REFERENCES


This room document is submitted by:

EUROSTAT: Statistical Office of the European Communities,
OECD: Organisation for Economic Co-operation and Development
WTO: World Tourism Organization

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<tr>
<td>Attachment 1</td>
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<tr>
<td>Basic editing changes to the original document</td>
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</table>
BACKGROUND

This document has been prepared jointly by the WTO/OMT - OECD - Eurostat Intersecretariat Working Group on Tourism Statistics (IWG/Tour). The IWG was created in September, two months after the WTO “Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism” and the 1999 Plenary session of the Conference of European Statisticians.

The Enzo Paci World Conference recommended that the WTO prepare, jointly with OECD and EUROSTAT, a common conceptual Tourism Satellite Account framework and its associated attachments and draft technical manuals, and forward the common conceptual Tourism Satellite Account framework for final endorsement by the UN Statistical Commission.

The Conference of European Statisticians asked that the WTO, the OECD, and Eurostat work to ensure that a Common Conceptual Framework for Tourism Satellite Accounts be developed so that countries would not be asked to report inconsistent statistical information.

The IWG met 10 September in Luxembourg and 17 November in Paris to work in this direction. The secretariats remained in close contact and continued to exchange information between and after these meetings. To meet translation requirements the WTO in December submitted a document, *Tourism Satellite Account (TSA): Methodological References* (UNSC Document No. E/CN.3/2000/11), for consideration by the UN Statistical Commission. Some issues remained unresolved with the OECD and Eurostat, but work continued.

There was an informal “joint reading” meeting in Paris in January aimed at clarifying remaining issues and ensuring a common understanding of concepts and terms. On the basis of this meeting two documents were prepared as the basis for a meeting of the IWG in Madrid 10-11 February. One listed and described the remaining major issues; the other comprised drafting changes for E/CN.3/2000/11. The work done by the three secretariats resulted in reaching agreement in Madrid on how to handle each of these issues and on the necessary drafting changes. These issues and drafting changes comprise the balance of this document. Thus the three organisations have met the basic requirement of establishing a common conceptual framework for the development of the methodological design of a TSA.

As a result of this process, we believe that with the modifications to E/CN.3/2000/11 set out below, each of the organisations is now in a position to promote TSA implementation in its respective Member countries. The practical development of TSAs, and for that matter tourism statistics generally, will require continued consultations and work by and with all interested countries.

Since in the secretariats’ view all major issues are resolved, the intent is to move as quickly as possible to publication. With the approval of the Commission, the secretariats will (i) incorporate these drafting changes, (ii) make additional editing changes to ensure consistency with the drafting changes, (iii) make other strictly editing changes to correct for errors, and (iv) submit the document to publication in March. The publication is envisioned to carry the identification logos of the organisations involved (WTO, OECD, Eurostat, and UN).

Finally, it is recognised that the joint work between the international organisations on TSAs is the first result of collaboration between the organisations and further international development of tourism statistics is envisaged with WTO, OECD, Eurostat and other interested international organisations playing an important role.
PROPOSED MAIN AMENDMENTS

Structure of presentation


Discussion between the three organisations within the IWG/Tour identified 18 issues as requiring attention within the document. These issues are listed below together with the relevant reference to the original document.

Next, this document presents major changes and/or clarifications of a methodological character to that text. These major amendments are proposed as new paragraphs or as revised text to paragraphs in the original document. They are presented using the structure of the original document.

Finally, an Attachment 1 is included where these major amendments are incorporated into broader sections of the original document. Attachment 1 is structured according to the 18 issues identified below. Attachment 1 must be viewed as a provisional (and partial) version of a full redraft for the “Tourism Satellite Account (TSA): Methodological References”. While there is still a need for a final editing round to ensure that the remaining original text is consistent with the paragraphs suggested in Attachment 1, any additional changes required are thought to be relatively minor. It is important to note that a final editing round will not implement any changes in the present structure of the document.

Key issues for amendment

1. History of the TSA development process
   Text concerning the history of the development of TSAs has been included. A reference paragraph has been included (New paragraph after 1.2) and a new Annex has been introduced to present additional detail.

2. Additional introductory paragraphs
   Paragraphs have been added to the Introduction (Chapter 1) to make clearer the intended status, purpose and scope of this document. (Revised 1.17, New 1.18 - 1.21).

3. Clarity on usual environment
   Amendments have been made to ensure that the difficult area of the definition of the usual environment is more clearly presented. (Revised 1.10, 2.7, 2.10 - 2.12).

4. Treatment of second homes for tourism purposes
   Some small amendments have been made to ensure that the treatment of second homes is clear. (Revised 2.14 - 2.16).

5. In transit visitors
   Amendment has been made to paragraph 2.21 to make clear the distinction between in transit visitors, same-day visitors and tourists.
6. **The definition visitor consumption**
   A large section of the document (2.28 - 2.54) has been reorganised to provide a clearer explanation of the ideas surrounding visitor consumption. The section includes discussion on relevant national accounts concepts, the treatment of consumer durables, the inclusion of individual non-market services and the components of visitor consumption.

7. **The venue of visitor consumption**
   Amendment has been made to paragraphs 2.57 - 2.61 to explicitly note changes in the common understanding of certain terms.

8. **Services within the household**
   Amendments have been made to paragraphs 2.65, 2.67, 3.34 and 3.35 to further clarify the situation with regard to services within the household.

9. **Tourism collective consumption**
   Amendments have been made to some paragraphs in section II.C (paragraphs 2.73 - 2.75) to further clarify the definition of this item.

10. **Tourism gross fixed capital formation (GFCF)**
    Changes have been made to paragraphs 2.77 - 2.79 to reflect the lack of a clear definition of tourism GFCF and the difficulties of measurement.

11. **The definition of characteristic products**
    This section (paragraphs 3.11 - 3.22) has been substantially reorganised to better reflect the issues and definitions being presented.

12. **The treatment of goods purchased by visitors**
    This section (B.2.5: 3.53 - 3.59) has been amended to take account of the differences in position which exist within the inter-secretariat group. The resulting position is neutral.

13. **Tourism employment**
    Paragraph 3.69 has been revised to include reference to a new annex on the OECD employment module.

14. **Valuation and time of recording**
    New paragraphs after 4.8 have been introduced to cover this topic which was not explicitly discussed in the previous version.

15. **The estimation of tourism value added aggregates**
    In order to make more clear some of the issues involved in estimating the tourism value added aggregates some paragraphs have been revised (4.53, 4.87, 4.91) and some new paragraphs have been introduced (after 4.54 and after 4.83).

16. **The use of physical/non-monetary indicators**
    Paragraph 4.73 has been revised to indicate the need to develop better the links between the table of non-monetary indicators and the monetary tables.

17. **The definition of tourism demand**
    Amendments to paragraphs 4.107 - 4.109 have been made to make clear the measurement and definitional issues associated with this concept.

18. **Bibliography**
    Changes have been made in the bibliography to appropriately update the listing provided.
List of proposed main amendments

Chapter 1: Introduction

NEW PROPOSALS

New paragraph after 1.2: corresponds to 1(1) of Attachment 1
The increasing awareness of the economic impacts of tourism has been recognised over a number of years and a number of countries and international organisations have been involved in the development of techniques relevant for the measurement of tourism’s economic impact. A short history of the developments in measuring tourism from an economic perspective is contained in Annex 2 of this document.

New paragraphs after 1.17: corresponds to 2(2) to 2(5) of Attachment 1
Such changes may include implementation of new developments in relation to the proposed classifications on products and activities, new fields of application (national tourism indicators, balance of payments analysis, regional level analysis) or specific modules (employment, government revenues).

The requirement to maintain consistency with the SNA93 production boundary has lead to the exclusion of certain activities which may be considered relevant to tourism, particularly the production of services by households. (This includes consideration of the services produced and consumed by households when using their own car for tourism purposes.) While these types of extensions are possible, consistency with SNA93 has been given a higher status and so such extensions are not discussed within this proposal.

This proposal limits discussion in a number of areas in order to present simply the results of many deliberations by tourism statisticians. However, in order to give more background to the proposal a series of background papers and technical manuals are planned for release. As well a bibliography is provided at the end of this proposal.

Finally, it is observed that this proposal does not place any requirements upon countries to produce TSAs. Rather it is an important step in a joint process aimed at developing further the international tourism statistics system. Many of the issues involved are complex and require further development and discussion. It is believed that the development of TSAs by countries will assist in the development of standards but it is also hoped that the release of this proposal will further encourage countries to consider the benefits of producing Tourism Satellite Accounts.

REVISED TEXT

Revised paragraph 1.10: corresponds to 3(1) of Attachment 1
But visitor consumption is not restricted to a set of predefined goods and services produced by a predefined set of industries. What makes tourism special is not so much what is acquired, but the temporary situation in which the consumer finds himself/herself: he/she is outside his/her usual environment, and this is the characteristic that identifies him/her as different from any other consumer.

Revised paragraph 1.17: corresponds to 2(1) of Attachment 1
This proposal should be understood to be the first step in a process of methodological development of this new statistical instrument whose operational character is a synthesis shared in common with National Accounts. Its progressive implementation by countries depends also on the development achieved in the corresponding implementation of SNA93 but, in any case, it will be necessary in the future to update some of the recommendations included in this proposal and to propose different types of extensions.
NEW PROPOSALS

New paragraph 2.33: corresponds to 6(8) of Attachment 1
While this defines a first important aggregate “Household final consumption expenditure” it was noted above that actual consumption need not be undertaken by the person who incurs the expenditure. In SNA93 it is observed that there are many services consumed by households which are in fact paid for by government or NPISH. To allow for a more accurate measure of consumption SNA93 has developed the notions of individual and collective non-market services. Individual non-market services are those services produced by governments or NPISH which can be seen as directly consumed by individuals (examples are health and education). Collective non-market services are only provided by governments and consist of more general public goods such as defence, legal systems and public policy. Importantly, from a tourism perspective, it is relevant to note that the existence of an individual non-market service requires the identification of a clear link between the provider of the service and an individual.

New paragraphs after Figure II.1: correspond to 6(13), 6(16) and 6(19) of Attachment 1
The definition of visitors does not cover only individuals who travel for holidays or personal reasons. It also includes those travelling for business purposes. The consumption of these visitors could be paid by either businesses, by government or by NPISH. Consequently, the consumption of these visitors is within the scope of visitor consumption even though this consumption does not fall within household final/actual consumption expenditure.

The scope of visitor consumption can be determined from these definitions of household actual final consumption, business intermediate consumption and government and NPISH final consumption which are presented in SNA93. Three main points can be noted:

- Visitor consumption will include the consumption of visitors for business, leisure and other purposes.
- Visitor consumption will include individual services produced by governments and NPISH and consumed by visitors.
- Visitor consumption will include consumption in kind of various types.

The scope of tourism business expenses needs clarification: it includes those tourism expenses that are classified as intermediate consumption of private businesses, government units and NPISH. Thus, it does not include some other expenses corresponding to employees on business trips paid by businesses such as payments for meals or lump sums allocated to them to cover their other travel costs, that are considered as remuneration in kind or in cash. As a consequence, tourism business expenses do not represent total consumption of visitors on business trips. Nor does it include social transfers in kind provided by government units and NPISH, which by definition are not part of their intermediate consumption.

REVISED TEXT

Revised paragraph 2.7: corresponds to 3(2) of Attachment 1
The usual environment required to distinguish a visitor from all other travellers within a location is difficult to define in precise terms. Generally speaking, it corresponds to the geographical boundaries within which an individual displaces himself/herself within his/her regular routine of life. As recommended by the UN Recommendations on Tourism Statistics, usual environment of a person consists of the direct vicinity of his/her home and place of work or study and other places frequently visited. It has two dimensions:

- Visitor consumption will include the consumption of visitors for business, leisure and other purposes.
- Visitor consumption will include individual services produced by governments and NPISH and consumed by visitors.
- Visitor consumption will include consumption in kind of various types.
• Frequency - places which are frequently visited by a person (on a routine basis) are considered as part of their usual environment even though these places may be located at a considerable distance from the place of residence.
• Distance - places located close to the place of residence of a person are also part of the usual environment even if the actual spots are rarely visited.”

National statistical organizations might establish the boundaries of the usual environment by referring to distances travelled, frequency of visits, or the formal boundaries of localities or other administrative territories.

Revised paragraph 2.16: corresponds to 4(3) of Attachment 1
By definition, any member of the household who visits a second home that is not within his/her usual environment is considered a visitor to that second home. A second home is part of his/her usual environment if the second home itself is his/her usual working place or it is the place from where any member of the household regularly commutes to his/her working place or if trips to the second home occur on a regular basis (every week or weekend).

Revised paragraph 2.21: corresponds to 5(1) of Attachment 1
In transit visitors is a specific category of visitors, related both to international and domestic visitors and to the categories same-day visitors and tourists. It refers to visitors who do not immediately return to their place of origin but stop in the country of reference on their way to a different destination. Within this category are those visitors legally in transit because they remain in a transit zone, so that they do not actually enter the country (a situation normally associated with visitors arriving by air), but also those visitors crossing a location or the territory of a country, heading to a different destination (the most relevant cases refer to those travelling by road or rail). In most cases, the most relevant subset of in-transit visitors will be related to same-day visitors, but in some other cases they may be a subset of those visitors staying overnight within the country of reference. The identification of in-transit visitors might be of interest in some countries, because of their relevance, both in numerical terms and for their economic impact.

Revised paragraph 2.28: corresponds to 6(1) of Attachment 1
Individual consumption is an activity undertaken by individuals, the households to which they belong and by businesses, government units and non-profit institutions serving households (NPISH) in the production of goods and services. In the same way as the visitor is at the centre of tourism activity, the consumption of the visitor is at the centre of the economic measurement of tourism. The visitor is viewed as a particular type of individual consumption unit, who is distinguished from other individuals by the fact that he/she is outside his/her usual environment. Otherwise, he/she behaves like an ordinary consumer, so that the characteristics of consumption activity described in SNA93 are also relevant for visitors.

Revised paragraph 2.50: corresponds to 6(27) of Attachment 1
Consumer durable goods will have a different treatment according to the following convention:
• All tourism single purpose consumer durable goods will be included whether purchased during a trip, before a trip, after a trip or outside the context of a specific trip.
• Multi-purpose consumer durables will only be included if purchased during a trip.

Revised paragraph 2.51: corresponds to 6(28) of Attachment 1
Two additional comments with respect to consumer durables need to be made:
• In the case of any consumer durable item which is purchased on a trip but then sold at the conclusion of the trip (e.g. a car), the value to be considered within visitor consumption is the difference between the original purchase price and the price received upon re-sale by the visitor; no allocation is made for costs of use. (No purchases for commercial purposes are considered for such treatment.).
Since some consumer durables purchased during a trip may be of high unit value (e.g. cars, boats) some countries may find it useful to identify these items and conduct analysis both including and excluding them. However, for the purposes of international comparison all purchases during a trip should be included in visitor consumption.

Revised paragraph 2.52: corresponds to 6(29) of Attachment 1
As noted in the treatment of consumer durables the timing of purchase can be a significant issue. The following represents the boundary of visitor consumption from a time perspective:

- During the trip
  - All consumption regardless of the nature of the good or service as long as it is a product that SNA93 considers part of household actual final consumption.
  - This includes all consumer durables purchased on a trip (excluding those for commercial purposes).
  - This includes tourism business expenses since the product range is the same for this group of expenses.
- Before a trip
  - All consumption on services made before a trip and clearly related to the trip (e.g. inoculations, passports, medical control)
  - All consumption on goods of small value purchased before the trip that are intended for use on the trip or are brought along as gifts
  - All purchases of tourism single purpose consumer durables
- After a trip
  - All consumption on goods and services purchased after the trip and clearly related to the trip (e.g. photograph development)
- Outside the context of a specific trip
  - All purchases of tourism single purpose consumer durables.

Revised paragraph 2.75: corresponds to 9(3) of Attachment 1
In this proposal, tourism collective consumption is considered within a broader notion of tourism demand although, for the time being, the approach to this component will only have an experimental character due to the lack of experience in this field. As a consequence, the estimate of this aggregate should not be used, for the time being, for international comparisons.

Revised paragraph 2.78: corresponds to 10(2) of Attachment 1
However, there are a number of different perspectives to tourism GFCF which can be adopted. First, it is possible to look at the GFCF of the tourism industries (as defined in chapter 3). Alternatively it is possible to consider the GFCF on specific tourism capital goods which are directly linked to the provision of services to visitors. Finally, it is possible to consider the proportion of total GFCF which is required to provide goods and services to visitors. Combinations of these views may also be possible as well as consideration of public GFCF.

Revised paragraph 2.79: corresponds to 10(3) of Attachment 1
At this stage the most straightforward perspective is the first one mentioned - the GFCF of tourism industries. However until more discussion and research is carried out no specific aggregate is proposed for the purposes of international comparison. Any of the aggregates noted above may be of interest to countries in compiling their TSAs. Notwithstanding these measurement difficulties, the concept of tourism gross fixed capital formation is considered within a broader notion of tourism demand.
Chapter III: The supply approach: concepts and definitions

NEW PROPOSALS

New paragraphs: correspond to 11(5)-11(8) of Attachment 1

With the view of combining the two objectives of international comparability on a core of tourism goods and services and productive activities on the one hand, and of the consideration of the special needs, technical capability and statistical development of compilers on the other the following proposal is made:

First, from the perspective of the publication of TSA results by international organizations it is understood that, on a worldwide basis, international comparability will only be achieved on the basis of a fixed list of products. Such a list is designated in this proposal as the list of tourism characteristic products (TSA/TCP)\(^1\). This list would be updated periodically. Broader or more detailed lists might be established by individual organisations (OECD, EUROSTAT and others), for appropriate comparability among their member countries, provided correspondence is maintained between these lists and the basic classifications.

Second, any country or compiler wishing to develop its own list of products should select those products from the provisional list of Tourism Specific Products (TSP). This may entail expanding the list of the above-mentioned tourism characteristic products (TSA/TCP) to a broader one, designated as an ad hoc list of tourism specific products. Such a list could respond to both objectives: international comparability, on the subset of tourism characteristic products, and specific needs on the total of tourism specific products in a given country.

Therefore from the point of view of an individual country and in terms of general analysis it is the list of tourism specific products which is deemed of more relevance and importance. However, for the purpose of deriving a complete presentation of the different categories of products a term is required to define those products which are deemed specific but are not within the above-mentioned list of tourism characteristic products (TSA/TCP). In this proposal the term tourism connected products is used although it is to be noted that the term “connected” is used differently from the use of the term in SNA93.

New paragraph: corresponds to 11(11) of Attachment 1

To aid in the establishment of product lists, the WTO has developed a provisional list of Tourism Specific products (TSP). This list has been established empirically, using previously existing national and institutional lists and the specific knowledge of researchers, and applying for inclusion, in a loose way the following criteria:

- those the supply of which would cease to exist in meaningful quantity in the absence of visitors;
- those which represent a significant share of tourism consumption;
- those in whose absence, tourism consumption might be significantly affected.

New paragraph 3.57: corresponds to 12(4) of Attachment 1

Importantly, the use of the purchaser’s value of the goods should allow the decomposition of the tourism supply between the basic value of the good and the corresponding margins. Ideally information should be available to be able to make the complete decomposition and thus the measurement of tourism supply with respect to goods should not be limited by data considerations. It may be the case that a breakdown of different margins is not available. Treatment in such situations would need to be considered based on examination of the data issues concerned.

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\(^1\) See TSA \(\S\)3.18 to 3.20.
New paragraph 3.58: corresponds to 12(5) of Attachment 1

The valuation scheme used in the proposed tables corresponds to a coherent scheme where the value of the products and the corresponding distribution margins are clearly explained. The tables use the same basis of recording as the national accounts and therefore various aggregate measures can be defined consistent with the principles used in the national accounts.

New paragraph 3.59: corresponds to 12(6) of Attachment 1

Overall, the treatment of goods within tourism supply is complicated by trying to decide whether all of the output of the various producers involved in getting the good to sale should be included or only the output of the producer with whom the visitor has direct contact, i.e. the retailer. The case is by no means clear in either direction since one can imagine different approaches being ideal for different goods depending on the purpose of the analysis. It may be that for analytical purposes a country chooses one method or another to reflect the level of tourism supply.

New paragraph : corresponds to 12(7) of Attachment 1

Without a common position in this area it is stated in this proposal that international intergovernmental organisations (such as WTO, OECD and Eurostat) will continue the task of defining appropriate criteria of valuation to analyse the economic impacts of tourism and defining appropriate standards for the presentation and international comparison of results. The experience of countries in the development and use of their TSAs in the future will provide important input to this task.

REVISED TEXT

Revised paragraph 3.69: corresponds to 13(1) of Attachment 1

This underlines the importance of measuring employment by a variety of indicators which complement each other and may not have general application in the economy. These include: employment, jobs, full-time equivalent employment, and total hours worked. Complementarity and consistency between measures of compensation of employees and the measures of employment is also an important consideration. In order to extend analysis in this important area of tourism statistics the OECD has developed an employment module for TSAs and a more complete description of this module is contained in Annex 3 of this document.

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2 SNA93, ¶17.4 - 17.18.
Chapter IV: Tables, accounts and aggregates

NEW PROPOSALS

New paragraphs after 4.8: corresponds to 14(1) and 14(2) of Attachment 1
The valuation principles that should be employed are essentially the same as those advocated in SNA93, that is, production should be valued at basic values and use at purchasers’ prices. As far as time of recording is concerned, the TSA operates on the same basis as SNA93, that is, on an accruals basis, not on cash or “due for payments bases”.

In practice, the valuation and time of recording methods used are likely to be consistent with those used in the general national accounts of the country compiling the TSA. Therefore, depending on individual country practices these methods may not be identical to the recommendations of SNA93 or of this proposal. Consequently, for the purposes of international comparison it is important that the methods of valuation and time of recording are understood by TSA compilers and are reported when disseminating data or methodology.

New paragraph after 4.54: corresponds to 15(2) of Attachment 1
Although there are difficulties in establishing the assumptions for the calculation of tourism value added, the assumptions for the calculation of TGDP are even more problematic. This is because the difference between TVA and TGDP consists mainly of taxes and subsidies and appropriate tourism shares for these items are not necessarily as connected to the production of tourism products as is the case with intermediate consumption and output. While the calculation of TGDP is possible it should be noted that there are additional considerations to be taken into account in performing this calculation which make it important that are be taken in its use and interpretation.

New paragraph after 4.83: corresponds to 15 (3) of Attachment 1
In part the difficulty is that VATI is dependent on the definition of the characteristic industries which could vary across countries. As well, because of differences across countries even using the same range of characteristic industries may not lead to comparable measures of tourism’s impact in different countries.

REVISED TEXT

Revised paragraph 4.87: corresponds to 15(4) of Attachment 1
But TVA would also include additionally the corresponding value added associated with the output of those secondary activities that, although part of visitor consumption is not produced by establishments whose main activity is a tourism characteristic activity. Consequently, TVA can be seen to be independent of the definition of characteristic industries and products. This aids its usefulness as an internationally comparable measure of the economic impact of tourism.

Revised paragraph 4.91: corresponds to 15(5) of Attachment 1
It is important to address three issues here:

- The only indicators strictly characterizing tourism supply emerge from TVA and TGDP. VATI is a measure of the supply side of tourism but is not sufficiently well defined in terms of its links to visitor consumption to allow it to be the most accurate measure of tourism supply.
- TVA and TGDP can provide measures of the economic importance of tourism in a country in the same sense as the GDP of any productive activity does. However, they do not refer to tourism as a productive activity comparable to productive activities in SNA93. They are indicators emanating from a reconciliation of tourism consumption and supply, and their values will depend on the scope of measurement of visitor consumption that a country adopts.
- The estimation of TVA and TGDP relies on a number of measurement assumptions. For TVA these assumptions can be determined and applied in a reasonably straightforward manner. However, for TGDP there are significantly more problems in separating out tourism and non-tourism components of the variables concerned and thus additional care must be taken when using or interpreting this aggregate.

Revised paragraphs 4.108 - 4.109: corresponds to 17(2) - 17(3) of Attachment 1

In this proposal an additional aggregate is suggested called Total tourism demand, which consists of the sum of internal tourism consumption, tourism gross fixed capital formation and tourism collective consumption. It is noted however, that the definition and measurement problems associated with tourism GFCF and tourism collective consumption are by extension equally relevant for total tourism demand and thus its precise definition cannot be made as yet.

Therefore, coherent with previous remarks \(^3\), this proposal does not consider the estimation of this aggregate for international comparison until more experience and methodological research, especially regarding tourism GFCF and tourism collective consumption, is undertaken.

\(^3\) TSA¶¶¶ 4.93, 4.101 and 4.106.
BASIC EDITING CHANGES TO THE ORIGINAL DOCUMENT

1. History of the TSA development process

New paragraph after 1.2

1.(1) The increasing awareness of the economic impacts of tourism has been recognised over a number of years and a number of countries and international organisations have been involved in the development of techniques relevant for the measurement of tourism’s economic impact. A short history of the developments in measuring tourism from an economic perspective is contained in Annex 2 of this document.

New annex
Annex 2: Historical background

1991: a date for history

1.(A1) The WTO International Conference on Travel and Tourism Statistics, held at Ottawa, Canada, in 1991 (hereafter called the “Ottawa Conference”), was the culmination of the great efforts made in the second half of the 1970s and more specifically in the 1980s, not only by international organizations (especially the United Nations, WTO and OECD) but also by countries among which, in addition to Canada, France deserves special mention as a pioneer in the measurement of the economic impact of tourism.

1.(A2) Since their inception, the United Nations through its Statistical Commission (UNSC) and the World Tourism Organization (WTO) are the international organizations that have established a set of definitions and classifications for tourism with two main purposes:

- to achieve international comparability; and
- to serve as a guide to countries for the introduction of a statistical system for tourism.

1.(A3) The period between 1937 and 1980 was characterized by the establishment of definitions and classifications for international tourism statistics that were barely compatible with other statistics:

- In 1937, the Council of the League of Nations recommended a definition of “international tourist” for statistical purposes. This was slightly amended by the International Union of Official Travel Organizations (IUOTO) at a meeting held at Dublin in 1950.
- In 1953, the United Nations Statistical Commission established the concept of “international visitor”.
- The United Nations Conference on International Travel and Tourism (Rome, 1963) recommended definitions for the terms “visitor”, “tourist” and “same-day visitor” proposed by IUOTO. These definitions were subsequently examined by a United Nations expert group on international travel statistics in 1967 and endorsed by the United Nations Statistical Commission in 1968.

The new and revised paragraphs have been numbered according to the issue under consideration. For example for issue 2, the third new or revised paragraph would be labelled 2.(3).
• In 1978, the provisional guidelines on statistics of international tourism were approved by the UN Statistical Commission.

1.(A4) In the 1980s, an overall awareness began to emerge of the importance of tourism and its interdependence with other economic and social activities. WTO, in close cooperation with the Statistical Division of the United Nations, initiated statistical research in two directions:

• the first aimed at proposing modifications to the definitions and classifications used in studies of tourism to make them compatible and consistent with those of the other national and international statistical systems; and;
• the second, aimed at incorporating tourism into the analytical framework of National Accounts.

1.(A5) As early as 1983, at the fifth session of the General Assembly in New Delhi, WTO issued a report illustrating how it was possible to describe tourism within the recommendations regarding National Accounts existing at that time (System of National Accounts 1968). The document stressed the importance of such an exercise as a “uniform and comprehensive means of measurement and comparison with other sectors of the economy”. It was not implemented as such but is still considered as a general guideline for most of WTO’s activities concerning the international harmonization of tourism concepts and statistics.

1.(A6) This earlier international work on tourism statistics allowed WTO to present a consistent system of tourism concepts, definitions and classifications at the Ottawa Conference. In particular, a set of statistical definitions on domestic and international tourism and a classification of tourism activities were proposed, both of them interrelated to other international statistics. Moreover, attention was drawn to the need for a system of tourism information integrated to the System of National Accounts: the Tourism Satellite Account.

1.(A7) Also the Tourism Committee of the Organisation for Economic Co-operation and Development (OECD) worked on advance recognition of the scope, nature and roles tourism performs in the OECD economies and to demonstrate the need for such information in the policy-making. Since 1985, OECD has been working on the integration of tourism within broader statistical instruments like the SNA. In the development of the Manual on Tourism Economic Accounts (OECD, 1991), OECD examined several of the thornier problems related to the measurement of tourism (reconciliation of supply and consumption, treatment of package tours).

1.(A8) Special mention should be made of the presentation by Statistics Canada during the Ottawa Conference of a scheme to “establish a credible and comparable means for assessing tourism economic activities in relation to other industries in a domestic economy, develop a framework for relating other relevant data regarding tourism activities in an organized and consistent manner, and ensure a means of ‘friendly’ access to the database by potential users”. The Statistics Canada scheme was based on a project to examine the feasibility of applying the principles of satellite accounting to the tourism industry, that was part of the Canadian National Task Force on Tourism Data (1984-1986). The report on the proposed Tourism Satellite Account was released in May 1987, corresponding to the time when the WTO was beginning to develop its ideas for international guidelines for a Tourism Satellite Account.
Since the Ottawa Conference, not only have many of the initiatives presented begun to materialize, but also the number of countries developing a TSA has increased. In addition to governments, the private sector also has developed its initiatives.

At its twenty-seventh session in 1993, the UNSC adopted the recommendations of the Ottawa Conference on standard definitions and classifications of tourism and WTO’s Standard International Classification of Tourism Activities (SICTA) as a provisional classification to guide countries. In 1994, the United Nations and the World Tourism Organization published the “Recommendations on Tourism Statistics”, a report on definitions and classifications for tourism statistics pursuant to the Statistical Commission’s request that these be published and widely distributed. Based on the Steering Committee’s work as reflected in this document, some of the definitions and classifications in the 1994 report will need to be adjusted to conform to the principles of this conceptual framework for the elaboration of the TSA.

Within OECD data collection and analysis of the Tourism Economic Accounts (TEA) started in 1992 and since then, the TEA has constituted a useful instrument for policy orientation. OECD provides permanent guidance to member countries on how to develop comparable international accounts, using national accounting principles and adopting an integrated approach favouring linkages of tourism with other important economic aspects of tourism, notably employment. Specifically in 1997 the OECD Tourism Committee made the first proposal for a “Tourism Satellite Account for OECD countries”.

The Statistical Office of the European Communities (EUROSTAT) has also developed a large number of programmes and carried out studies on tourism statistics in the European Union. It has prepared a “Community Methodology on Tourism Statistics”, compatible with UN/WTO standards, which is adapted to the specific needs and context of the Member States of the European Union. Special mention should be made of the “Council Directive on the Collection of Statistical Information in the Field of Tourism” (approved in 1995), which aims at harmonising and improving the statistical data produced by Member States and constitutes the first legal step taken to create an integrated system of information on tourism supply and demand. To this end EUROSTAT carries out regular data collection (monthly, quarterly and annual information) and dissemination of basic tourism statistics. The scope of the information required by the Directive covers:

- the capacity of collective tourist accommodation;
- the flow of guests in collective tourist accommodation (domestic and inbound tourism); and
- tourism demand in the two most important tourism markets: holidays and business trips (domestic and outbound tourism).

Canada stands out among the countries that have developed Tourism Satellite Accounts during this period. In July 1994, the first results of the TSA developed by Statistics Canada were published. Other countries, such as the Dominican Republic (which applied an initial version of this conceptual framework and later adapted it as the versions were modified), New Zealand, Mexico, Norway, Singapore, Sweden, and

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Within the private sector, the World Travel and Tourism Council (WTTC) stands out for its approach to the quantification of the economic impact of tourism. Its methodology focuses on the quantification of the economic impact of visitor consumption (Travel & Tourism Industry) as well as total demand (Travel & Tourism Economy) through a simulation model. The former is limited to the direct impact of visitor consumption on production. The latter perspective considers the direct and indirect impact associated with capital investment, government expenditures and foreign trade including the increased demand for goods and services generated by the movements of persons all over the world (World Tourism). WTTC favours a demand-side approach, with a comprehensive definition of its scope, linked by economic models to supply-side concepts. Its research relies heavily on economic modelling techniques.

2. Additional introductory paragraphs

Revised paragraph 1.17 and new paragraphs thereafter:

2.(1) This proposal should be understood to be the first step in a process of methodological development of this new statistical instrument whose operational character is a synthesis shared in common with National Accounts. Its progressive implementation by countries depends also on the development achieved in the corresponding implementation of SNA93 but, in any case, it will be necessary in the future to update some of the recommendations included in this proposal and to propose different types of extensions.

2.(2) Such changes may include implementation of new developments in relation to the proposed classifications on products and activities, new fields of application (national tourism indicators, balance of payments analysis, regional level analysis) or specific modules (employment, government revenues).

2.(3) The requirement to maintain consistency with the SNA93 production boundary has lead to the exclusion of certain activities which may be considered relevant to tourism, particularly the production of services by households. (This includes consideration of the services produced and consumed by households when using their own car for tourism purposes.) While these types of extensions are possible, consistency with SNA93 has been given a higher status and so such extensions are not discussed within this proposal.

2.(4) This proposal limits discussion in a number of areas in order to present simply the results of many deliberations by tourism statisticians. However, in order to give more background to the proposal a series of background papers and technical manuals are planned for release. As well a bibliography is provided at the end of this proposal.

2.(5) Finally, it is observed that this proposal does not place any requirements upon countries to produce TSAs. Rather it is an important step in a joint process aimed at developing further the international tourism statistics system. Many of the issues involved are complex and require further development and discussion. It is believed that the development of TSAs by countries will assist in the development of standards but it is also hoped that the release of this proposal will further encourage countries to consider the benefits of producing Tourism Satellite Accounts.
3. Clarity on usual environment

Revised 1.10, 2.7, 2.10, 2.11, 2.12:

3.(1) But visitor consumption is not restricted to a set of predefined goods and services produced by a predefined set of industries. What makes tourism special is not so much what is acquired, but the temporary situation in which the consumer finds himself/herself: he/she is outside his/her usual environment, and this is the characteristic that identifies him/her as different from any other consumer.

3.(2) The usual environment required to distinguish a visitor from all other travellers within a location is difficult to define in precise terms. Generally speaking, it corresponds to the geographical boundaries within which an individual displaces himself/herself within his/her regular routine of life. As recommended by the UN Recommendations on Tourism Statistics, usual environment of a person consists of the direct vicinity of his/her home and place of work or study and other places frequently visited. It has two dimensions:

- Frequency - places which are frequently visited by a person (on a routine basis) are considered as part of their usual environment even though these places may be located at a considerable distance from the place of residence.
- Distance - places located close to the place of residence of a person are also part of the usual environment even if the actual spots are rarely visited.

National statistical organizations might establish the boundaries of the usual environment by referring to distances travelled, frequency of visits, or the formal boundaries of localities or other administrative territories.

3.(3) The concept of usual environment defined by the UN/WTO Recommendations on Tourism Statistics and that of residence, used in SNA93 and in the fifth edition of the Balance of Payments Manual (BPM5) are not synonymous. The place where an individual works is clearly part of his/her usual environment but is not necessarily his/her place of residence.

3.(4) Certain tourism conventions have been applied which are applicable within a TSA. These conventions include:

- Commuting to work according to the UN/WTO definition is travelling but is not considered as a tourism activity.  
- If an individual leaves his/her place of residence with the intention of establishing residence in a new place, s/he should not be considered as a visitor to this new place, even if s/he has not yet resided there for a year. This new place becomes part of his/her new usual environment.
- If an individual has been present in a place for more than one year, this place is considered as part of his/her usual environment. Thus, s/he cannot be considered as a visitor to this place, although s/he might not be a resident of this place in the economic or legal sense of the term.

3.(5) In general, in statistics on population, residency is a characteristic attached to households, while in tourism statistics the usual environment is a characteristic attached to individuals, each of which is part of a unique household. Two individuals who are part of the same household necessarily have the same residence but may have different usual environments.

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7 UN/WTO Recommendations on Tourism Statistics, ¶22.
4. **Treatment of second homes for tourism purposes**

Revised 2.14 - 2.16

4.(1) For each household, there will be a dwelling that is considered statistically as the primary home and residence of this household. All other dwellings (rented or owned) occupied by a household will be considered second homes.

4.(2) To be considered as second homes these dwellings may have one or more of the following characteristics:

- it may be the usual environment of one or more of the members of the household but is not the primary residence of the household;
- it is a vacation home, that is, it is visited infrequently or not by one or more of the members of the household for recreation, vacation or other activities different from the exercise of an activity remunerated within this place;
- it is visited occasionally by one or more members of the household for work reasons.

4.(3) By definition, any member of the household who visits a second home that is not within his/her usual environment is considered a visitor to that second home. A second home is part of his/her usual environment if the second home itself is his/her usual working place or it is the place from where any member of the household regularly commutes to his/her working place or if trips to the second home occur on a regular basis (every week or weekend).

5. **In-transit visitors**

Revised 2.21

5.(1) In transit visitors is a specific category of visitors, related both to international and domestic visitors and to the categories same-day visitors and tourists. It refers to visitors who do not immediately return to their place of origin but stop in the country of reference on their way to a different destination. Within this category are those visitors legally in transit because they remain in a transit zone, so that they do not actually enter the country (a situation normally associated with visitors arriving by air), but also those visitors crossing a location or the territory of a country, heading to a different destination (the most relevant cases refer to those travelling by road or rail). In most cases, the most relevant subset of in-transit visitors will be related to same-day visitors, but in some other cases they may be a subset of those visitors staying overnight within the country of reference. The identification of in-transit visitors might be of interest in some countries, because of their relevance, both in numerical terms and for their economic impact.

6. **The definition of visitor consumption**

Revised section covering paragraphs 2.28 - 2.54

6.(1) Individual consumption is an activity undertaken by individuals, the households to which they belong and by businesses, government units and non-profit institutions serving households (NPISH) in the production of goods and services. In the same way as the visitor is at the centre of tourism activity, the consumption of the visitor is at the centre of the economic measurement of tourism. The visitor is viewed as a particular type of individual consumption unit, who is distinguished from other individuals by the fact that he/she is outside his/her usual environment. Otherwise, he/she behaves like an ordinary consumer, so that the characteristics of consumption activity described in SNA93 are also relevant for visitors.
6.(2) It is necessary to distinguish the notion of a transaction from that of a transactor. The measurement of tourism is complicated by the fact that a single type of transaction can be deemed to be included or excluded from tourism by the nature of the transactor (visitor versus non-visitor). Conversely, it may be useful to define some transactions as being tourism in nature irrespective of the nature of the transactor. In measurement drawing a line between these two ideas is not straightforward and this section will in many cases choose a pragmatic line to determine the appropriate scope.

6.(3) Sub-sections B1 - B3 are structured to consider the consumption boundary used in national accounts - first for households and then for businesses, governments and NPISH - and then to consider the impact of the national accounting conventions for tourism. Tourism does have some boundary issues which require specific adjustment to national accounting standards.

B.1. Household final consumption in SNA93

6.(4) SNA93 defines a series of concepts associated with household final consumption. The System introduces differences between the concepts of: expenditure on consumption goods and services; household final consumption expenditure and actual final consumption of households. In doing so, it takes into account the particularities of the so called “individual non market services”, for which individual beneficiaries can be identified. In this respect SNA93 recognizes the difference between the institutional unit which pays for the services, and the institutional unit which benefits from them, and proposes a way to transfer the consumption from one unit to the other.

6.(5) Expenditure is defined as the value of the amounts that buyers pay, or agree to pay, to sellers, in exchange for goods or services that sellers provide to them or to other institutional units designated by the buyers.

6.(6) “A consumption good or service is defined as a good or service that is used (without further transformation in production as defined in the System) by households,… for the direct satisfaction of individual needs or wants…” 8. For the purposes of constructing a consumption boundary the national accounts excludes most services produced by the household such as the preparation of meals. The food purchased for meals is considered as a consumption good, but there is no further (economic) transformation and thus no further consumption. The gas bought for the automobile of the household is considered as a consumption good also for the same reason, as no service is attached to the personal use of an automobile by a household.

6.(7) Household final consumption expenditure covers “expenditure, including imputed expenditure, incurred by resident households on individual consumption goods and services, including those sold at prices that are not economically significant. Final consumption expenditure excludes expenditure on fixed assets in the form of dwellings or on valuables” 9. Imputed expenditure refers to the value of production of goods by households for own final use, or any other transfer or transaction in kind between institutional units, except social transfers in kind. Importantly, goods and services received as remuneration in kind from the employer are included within household final consumption expenditure. Also included is the value of services provided by dwellings to the owner occupier. However, in general, there is no imputation for other types of services on own account.

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8 SNA93 § 9.41.
9 SNA.93 § 9.94.
6.(8) While this defines a first important aggregate “Household final consumption expenditure” it was noted above that actual consumption need not be undertaken by the person who incurs the expenditure. In SNA93 it is observed that there are many services consumed by households which are in fact paid for by government or NPISH. To allow for a more accurate measure of consumption SNA93 has developed the notions of individual and collective non-market services. Individual non-market services are those services produced by governments or NPISH which can be seen as directly consumed by individuals (examples are health and education). Collective non-market services are only provided by governments and consist of more general public goods such as defence, legal systems and public policy. Importantly, from a tourism perspective, it is relevant to note that the existence of an individual non-market service requires the identification of a clear link between the provider of the service and an individual.

6.(9) From these notions of individual and collective non-market services emerge ideas of individual and collective consumption. Total individual consumption includes, in addition to household final consumption expenditure, the consumption of individual non-market services produced by governments and NPISH. The transfer of these individual non-market services to the consumption of households is shown in SNA93 as social transfers in kind. Social transfers in kind consist of:

- social security and social assistance benefits provided in kind, that is in the form of a good, service or asset other than cash;
- other individual services provided to individual households by government units or NPISH. These consist roughly of health, education and social services provided to individuals free of charge, or at very low prices, which are not economically significant.

6.(10) The ability to describe individual and collective consumption in the national accounts allows a more comparable treatment of situations in which transfers in kind have different relative importance. In some countries, where General Government provides education and health free of charge or at very low costs, the structure and relative importance of household final consumption expenditure would be different from those existing in the countries where these services are purchased on the market or at market prices. Including social transfers in kind reduces strongly these discrepancies in structures, and improves comparability among countries.

6.(11) Consequently, the second important aggregate “Actual final consumption of households” is measured by the value of all the individual consumption goods and services acquired by resident households, which are:

- those acquired through direct expenditure by the households themselves or imputed to them (consumption for own final use or obtained from other institutional units as transfers in kind other than social transfers in kind): it is called household final consumption expenditure;
- those acquired as social transfers in kind from Non Profit Institutions Serving Households (NPISH);
- those acquired as social transfers in kind from General Government.
6.(12) Figure II.1 summarizes these relationships among the consumption terms.

**Figure II.1 The components of household actual final consumption**

- **Barter transactions**
- **Production for own final use**
- **Counterpart of income in kind**
- **Household final consumption expenditure in cash**
- **Household final consumption expenditure (total)**
- **Household actual final consumption**
  - **Social security benefits in kind**
  - **Social insurance assistance benefits in kind**
  - **Social transfers in kind**
  - **Individual non market services**

B.2: Visitor Consumption by Business, Government and NPISH

6.(13) The definition of visitors does not cover only individuals who travel for holidays or personal reasons. It also includes those travelling for business purposes. The consumption of these visitors could be paid by either businesses, by government or by NPISH. Consequently, the consumption of these visitors is within the scope of visitor consumption even though this consumption does not fall within household final/actual consumption expenditure.

6.(14) The intermediate consumption of businesses, governments and NPISH as identified in SNA93, reflects that the consumption is part of the process of producing a good or service. For governments and NPISH the transactions are recorded differently since by national accounting conventions their output is estimated using the sum of its costs which is then treated as government and NPISH final consumption.

6.(15) In terms of the scope of consumption, the notion of social transfers in kind does not apply to business, government or NPISH consumption so the scope of consumption is not as broad as it is for households. Another difference in scope is that the payment
of wages in kind by employers is treated as consumption by households but is not part of intermediate consumption of businesses. Instead this is treated in the employers accounts as compensation of employees.

B.3. The definition and components of visitor consumption

6.(16) The scope of visitor consumption can be determined from these definitions of household actual final consumption, business intermediate consumption and government and NPISH final consumption which are presented in SNA93. Three main points can be noted:

- Visitor consumption will include the consumption of visitors for business, leisure and other purposes.
- Visitor consumption will include individual services produced by governments and NPISH and consumed by visitors.
- Visitor consumption will include consumption in kind of various types.

6.(17) These considerations give rise to visitor consumption as the basic concept of the demand approach, being defined as the total consumption made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination. However, there are a number of issues and clarifications concerning this definition which must be made.

B.3.1 Location of visitor consumption

6.(18) There are differences in the notions of residency which underlie the traditional national accounts categories of consumption and which need to be adjusted to allow for adaptation to tourism. This difference does not change any of the key ideas listed above but does mean that careful delineation of the boundaries of visitor consumption is required because these are not described in SNA93. Issues concerning the location of visitor consumption are dealt with further in section II.B.4.

B.3.2 Tourism business expenses

6.(19) The scope of tourism business expenses needs clarification: it includes those tourism expenses that are classified as intermediate consumption of private businesses, government units and NPISH. Thus, it does not include some other expenses corresponding to employees on business trips paid by businesses such as payments for meals or lump sums allocated to them to cover their other travel costs, that are considered as remuneration in kind or in cash. As a consequence, tourism business expenses do not represent total consumption of visitors on business trips. Nor does it include social transfers in kind provided by government units and NPISH, which by definition are not part of their intermediate consumption.

B.3.3 The scope of tourism consumption products

6.(20) In general, all acquisitions of goods and services by or on behalf of a visitor that SNA93 would consider as part of his/her actual consumption are included within the boundary of visitor consumption. No consumption good or service is excluded by its nature. Thus at the first level of determining the product scope no transaction is excluded. However, some limitation on this range is required. This may be done by either limiting the range of products and transactions directly or by limiting the range of transactions to a certain category of transactors.
6.(21) The first general rule is that if a product is acquired by a visitor on a trip or trips, or in preparation for a trip, it is included. Further details on the timing of purchases and the scope of products in relation to a trip are presented in section B.3.5.

6.(22) Two general clarifications are important. First, there are payments related to a trip that visitors might make which are excluded from visitor consumption by SNA93 conventions. These are those which do not correspond to the purchase of consumption goods and services, such as:

- the payment of taxes and duties not levied on products;
- the payment of interest (net of FISIM corresponding to the visitor) 10, including those on expenditure made during and for trips;
- the purchase of financial and of non financial assets, including land, works of arts and other valuables;
- all transfer payments in cash such as donations to charities or to other individuals and which do not correspond to the payment for goods or services.

6.(23) Second, any purchases on a trip for commercial purposes, that is, for resale or use in a production process or on behalf of his/her employer by a visitor on a business trip are excluded. (These are either intermediate consumption or gross fixed capital formation of the producing unit).

**B.3.4 Consumer durables**

6.(24) Perhaps most delicate is the treatment of consumer durable goods defined as “goods which may be used for purpose of consumption repeatedly or continuously over a period of more than a year, assuming a normal or average rate of physical use”. 11 These goods require a specific treatment within this proposal, because they can be purchased at any time, during trips, for trips, after a trip or outside the context of trips, and often have multiple uses.

6.(25) In TSA, two different categories of consumer durable goods are considered:

- Tourism single purpose consumer durable goods, which are those goods, the use of which can be considered as almost exclusively on trips, such as luggage, camping equipment (tents, sleeping bags, trailers), skiing and diving equipment, etc.
- Multipurpose consumer durable goods, which are those partially used on trips, but also partially used within the usual environment, such as cars and cameras.

6.(26) While a very precise definition of these consumer durables is not made in this proposal it may be reasonable for the purposes of international comparison that a list of relevant consumer durables is established. However, a list is not proposed here.

6.(27) Consumer durable goods will have a different treatment according to the following convention:

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10 Financial Intermediation Services Indirectly Measured (FISIM) refer to those services provided by financial intermediaries for which they do not charge explicitly, but only implicitly through the difference in interest rates charged to borrowers and to lenders. SNA93 recommends to allocate the total output of this activity as consumption among the various recipients or users of the services for which no explicit charges are made: this can be the case of visitors. See SNA93 ¶¶ 6.124 to 6.131.

11 SNA93 ¶9.38.
• All tourism single purpose consumer durable goods will be included whether purchased during a trip, before a trip, after a trip or outside the context of a specific trip.
• Multi-purpose consumer durables will only be included if purchased during a trip.

6.(28) Two additional comments with respect to consumer durables need to be made:

• In the case of any consumer durable item which is purchased on a trip but then sold at the conclusion of the trip (e.g. a car), the value to be considered within visitor consumption is the difference between the original purchase price and the price received upon re-sale by the visitor; no allocation is made for costs of use. (No purchases for commercial purposes are considered for such treatment.)
• Since some consumer durables purchased during a trip may be of high unit value (e.g. cars, boats) some countries may find it useful to identify these items and conduct analysis both including and excluding them. However, for the purposes of international comparison all purchases during a trip should be included in visitor consumption.

B.3.5 Timing of purchases

6.(29) As noted in the treatment of consumer durables the timing of purchase can be a significant issue. The following represents the boundary of visitor consumption from a time perspective:

• During the trip
  • All consumption regardless of the nature of the good or service as long as it is a product that SNA93 considers part of household actual final consumption.
  • This includes all consumer durables purchased on a trip (excluding those for commercial purposes).
  • This includes tourism business expenses since the product range is the same for this group of expenses.

• Before a trip
  • All consumption on services made before a trip and clearly related to the trip (e.g. inoculations, passports, medical control)
  • All consumption on goods of small value purchased before the trip that are intended for use on the trip or are brought along as gifts
  • All purchases of tourism single purpose consumer durables

• After a trip
  • All consumption on goods and services purchased after the trip and clearly related to the trip (e.g. photograph development)

• Outside the context of a specific trip
  • All purchases of tourism single purpose consumer durables.

B.3.6 Tourism social transfers in kind

6.(30) In the discussion on household final consumption it was observed that the new national accounting standards had developed a notion of consumption of individual non-market services provided by government units or NPISH. The consumption of these services may be acquired by visitors and hence the social transfers in kind between government units and NPISH which are used to record this consumption are considered part of visitor consumption. Examples of these individual non-market
services include health services provided to visitors (e.g. spas) and activities such as museums where the total cost may not be fully attributed to individual visitors. (Note that any explicit charges for museums and the like are included in visitor consumption in cash.) The key characteristic in identifying the services to be included in this category of consumption is that there is a clear link between the visitor and the provider of the service. It is noted that there may be some difficult measurement issues to overcome in estimating this part of visitor consumption.

B.3.7 Summary of visitor consumption

6.(31) As indicated in previous paragraphs, visitor consumption exceeds visitor purchases on a trip. It encompasses these purchases as well as all expenditure on goods and services by all other institutional units on behalf of visitors. If cash or financial assets are transferred to the visitor to finance his/her trip, the purchases funded by these are included in visitor consumption. Along with this are all forms of transfers in kind and other transactions benefiting visitors where it is not cash or financial assets which is provided to the visitors but the goods and services themselves - thus the consumption of individual non-market services is included. Essentially all transactions where there is a direct link between the visitor and the producer/provider of the good or service are within scope.

6.(32) Following the definition of household actual final consumption in SNA93 and the consideration required of tourism business expenses, visitor consumption can be represented schematically as in Figure II.2. The diagram is intended to explain the scope of visitor consumption and to show the links to the national accounts concepts developed earlier in the chapter. In particular, the terminology used has been chosen to reflect the national accounts terms used in Figure II.1.

6.(33) Tourism business expenses are included in the figure so that the complete scope is considered. This item only covers the consumption of visitors on business trips which are considered as intermediate consumption of the corresponding business. Other expenditure made by visitors on business trips may correspond to any other category considered in the figure.

12 These are other households, resident producing units, general government units, NPISH and non-resident units.
Figure II.2. The components of visitor consumption

Visitor final consumption expenditure in cash (1)

Visitor barter transactions

Visitor production for own final use

Counterpart of income in kind

Visitor final consumption expenditure in kind

Tourism social security benefits in kind (2)

Tourism social assistance benefits in kind (2)

Tourism social transfers in kind

Individual non market tourism services

Visitor actual final consumption

Visitor consumption (5)

Tourism business expenses (4)

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(1) This always represents the most important component of total consumption of, or on behalf of, visitors. It covers what is usually meant by “visitor expenditure”, but SNA93 obliges to use more precisely defined terms. The term “in cash” does not necessarily mean a disbursement of “cash” but refers to all visitors final consumption expenditure which are not in kind.

(2) The term “tourism” refers to those transfers for tourism purposes addressed to potential visitors.

(3) The area in grey represents the part of total consumption of or on behalf of visitors which corresponds strictly to the transposition of SNA93 concept of household actual final consumption to visitors (both residents and non residents).

(4) Includes the expenditure on transport and accommodation of employees on business trips and those made by business, government and NPISH on behalf of guests outside their usual environment.

(5) Visitor consumption refers to total consumption of or on behalf of visitors and could, consequently, also be termed as “visitor demand”.

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OECD

Eurostat

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7. The venue of visitor consumption

Revised paragraphs 2.57 - 2.61

7.(1) Domestic tourism consumption is the consumption of resident visitors within their country of reference. The final destination of the visitor might be within or outside the country of reference but the consumption activity that is referred to has to take place within this country of reference. It might include goods or services produced abroad or by non-residents but sold within the country of reference (imported goods and services). Note that this definition is broader than the common understanding of the term “domestic” within tourism statistics (involving residents of the country of reference travelling and remaining within the country) and as defined here domestic tourism consumption includes what was traditionally identified as the domestic portion of outbound tourism consumption.13

7.(2) Inbound tourism consumption is the consumption of non resident visitors within the economic territory of the country of reference. Purchases which took place in other countries are excluded. 14 The goods and services purchased in the country may have been imported.

7.(3) Outbound tourism consumption is the consumption of resident visitors outside the economic territory of the country of reference. The total will mainly consist of production by non-residents but may include exports by resident providers. and provided by non residents. It does not include those goods and services acquired for or after the trip within the country of reference 15. Note that this definition is narrower than the common understanding of the term “outbound” within tourism statistics (involving residents of the country of reference travelling to another country) and as defined here outbound tourism consumption excludes what was traditionally identified as the domestic portion of outbound tourism consumption.

7.(4) Internal tourism consumption comprises all consumption of visitors both resident and non-resident within the economic territory of the country of reference. It is the sum of domestic tourism consumption and inbound tourism consumption. It might include goods and services imported into the country of reference and sold to visitors. This aggregate provides the most extensive measurement of visitor consumption in the country of reference, covering the totality of the components indicated in Figure II.2.

7.(5) National tourism consumption comprises all consumption of resident visitors within and outside the economic territory of the country of reference. It is the sum of domestic tourism consumption and outbound tourism consumption. These purchases may include domestically produced goods and services and goods and services imported from non-resident producers.

13 It is also noted that the use of the term domestic is different from its use within national accounts.
14 Those acquired through travel agencies and tour operators will be given a special treatment which shall be explained in ¶4.14 and ¶4.16.
15 Those acquired through travel agencies and tour operators will be given a special treatment which shall be explained in ¶4.14 and ¶4.16.
8. **Services within the household**

Revised paragraphs 2.65, 2.67, 3.34, 3.35

8.(1) Regarding the services (except for housing services) rendered by one household to the visiting members of another household free of charge, in accordance with SNA93 and Balance of payments principles, no imputed service is recorded. However, the increase in the consumption of the household due to the purchase of goods required to provide these services is recorded as transfer in kind, and hence as consumption of the visitor.

8.(2) This recommendation not only applies to the main housing unit of a household, but to all housing units owned by households: thus, it also applies to second homes, and particularly, in the case of the TSA, to those used for tourism purposes on own account or provided free of charge to visitors. A housing service has to be imputed, both as a production activity for the owner, and as consumption of the visitor, if he receives this service from another household free of charge. Therefore the services are part of tourism supply and of visitor consumption. Note however the need for the consumption of these services to take place outside the usual environment as defined in section A.1.2. Consistent with this it is noted that own production of housing services by the primary home provided to visitors are excluded from visitor consumption.

8.(3) No specific product exists within the SNA93 production boundary and therefore there is no impact on tourism supply to be considered.

8.(4) In SNA93 a housing service on own account is associated with the ownership of a dwelling occupied by its owner both as a production activity, and as the production and consumption of a specific service. It was noted in chapter II that this situation covered both primary and second homes, and particularly, second homes owned mainly for tourism purposes.

9. **Tourism collective consumption**

Revised paragraphs 2.73 - 2.75

9.(1) In the case of tourism, when considering the definition of household final consumption, it was observed that government units provide two types of non-market services: individual and collective. The definition of visitor consumption includes the individual services provided to visitors. Collective services refer to the provision of legislation and regulation regarding tourism, to the promotion of tourism by a government unit, to the maintenance of order and security, and to the maintenance of public space to name a few.

9.(2) SNA93 does not assign the value of collective services to household consumption but creates a specific category, that of collective consumption expenditure of general government.  

9.(3) In this proposal, tourism collective consumption is considered within a broader notion of tourism demand although, for the time being, the approach to this component will only have an experimental character due to the lack of experience in this field. As a consequence, the estimate of this aggregate should not be used, for the time being, for international comparisons.

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16 SNA93, ¶9.75.
10. **Tourism gross fixed capital formation**

**Revised paragraphs 2.77 - 2.79**

10.(1) The analysis of gross fixed capital formation, and more generally the net acquisition of tangible non-financial assets, is particularly important for tourism because the existence of a basic infrastructure in terms of transport, accommodation, recreation, centers of interest, etc., determines to a large extent visitor flows.

10.(2) However, there are a number of different perspectives to tourism GFCF which can be adopted. First, it is possible to look at the GFCF of the tourism industries (as defined in chapter 3). Alternatively it is possible to consider the GFCF on specific tourism capital goods which are directly linked to the provision of services to visitors. Finally, it is possible to consider the proportion of total GFCF which is required to provide goods and services to visitors. Combinations of these views may also be possible as well as consideration of public GFCF.

10.(3) At this stage the most straightforward perspective is the first one mentioned - the GFCF of tourism industries. However until more discussion and research is carried out no specific aggregate is proposed for the purposes of international comparison. Any of the aggregates noted above may be of interest to countries in compiling their TSAs. Notwithstanding these measurement difficulties, the concept of tourism gross fixed capital formation is considered within a broader notion of tourism demand.

11. **The definition of characteristic products and industries**

**Revised section 3.11 - 3.22**

11.(1) This issue is recognized by SNA93 which recommends starting the development of a functionally oriented satellite account by “analysing the structure of expenditure by product and looking at what activities deliver these goods and services”. SNA93 also suggests a series of steps in the identification of different groups of products.

“The first step is to define the goods and services that are considered specific to this field. It is convenient to distinguish two types of goods and services in this context: characteristic goods and services and connected goods and services. The first category covers the products that are typical for the field under study... The second category, connected goods and services, includes products in whose uses we are interested because they are clearly covered by the concept of expenditure in a given field, without being typical, either by nature or because they are classified in broader categories of products... The precise borderline between characteristic and connected products depends on the economic organization in a given country and the purpose of a satellite account.”

The adaptation of these steps to tourism is discussed in the following paragraphs.

11.(2) For the purpose of this proposal, the issue of classification has to be considered from two different points of view, which complement each other, which are: the adaptation to the specific needs and the statistical infrastructure of the country of reference, and international comparability.

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17 SNA93, ¶21.16.
18 SNA93, ¶¶21.61-62.
11.(3) If the focus was strictly on the adaptation of the classification to the needs and possibilities in each specific case, this proposal could just provide an empirical list of products, from which each compiler would extract those which, from his viewpoint, would better encompass and characterize most of tourism activity, both from a supply as from a demand perspective.

11.(4) However, international organizations are also concerned by their institutional responsibility and function, and thus aim at providing a basis for international comparison.

11.(5) With the view of combining the two objectives of international comparability on a core of tourism goods and services and productive activities on the one hand, and of the consideration of the special needs, technical capability and statistical development of compilers on the other the following proposal is made:

11.(6) First, from the perspective of the publication of TSA results by international organizations it is understood that, on a worldwide basis, international comparability will only be achieved on the basis of a fixed list of products. Such a list is designated in this proposal as the list of **tourism characteristic products (TSA/TCP)**. This list would be updated periodically. Broader or more detailed lists might be established by individual organisations (OECD, EUROSTAT and others), for appropriate comparability among their member countries, provided correspondence is maintained between these lists and the basic classifications.

11.(7) Second, any country or compiler wishing to develop its own list of products should select those products from the provisional list of Tourism Specific Products (TSP). This may entail expanding the list of the above-mentioned tourism characteristic products (TSA/TCP) to a broader one, designated as an ad hoc list of **tourism specific products**. Such a list could respond to both objectives: international comparability, on the subset of tourism characteristic products, and specific needs on the total of tourism specific products in a given country.

11.(8) Therefore from the point of view of an individual country and in terms of general analysis it is the list of tourism specific products which is deemed of more relevance and importance. However, for the purpose of deriving a complete presentation of the different categories of products a term is required to define those products which are deemed specific but are not within the above-mentioned list of tourism characteristic products (TSA/TCP). In this proposal the term **tourism connected products** is used although it is to be noted that the term “connected” is used differently from the use of the term in SNA93.

11.(9) Regarding the criteria by which these categories may be distinguished: the identification of the products considered as tourism characteristic, tourism connected and tourism specific follows roughly these pragmatic criteria:

**Tourism characteristic products**: those which, in most countries, it is considered would cease to exist in meaningful quantity or those for which the level of consumption would be significantly reduced in the absence of visitors, and for which statistical information seems possible to obtain.

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19 This list, the TSP, is proposed in TSA ¶3.16.
20 See TSA ¶¶3.18 to 3.20.
21 See SNA Ch 21.61-62.
Tourism connected products: a residual category including those that have been identified as tourism specific in a given country, but for which this attribute has not been acknowledged on a world wide basis.
Tourism specific products: the sum of the two previous categories.

11.(10) Schematically, the universe of all goods and services is partitioned in the following way.

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<table>
<thead>
<tr>
<th>All goods and services</th>
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<tbody>
<tr>
<td>Specific goods and services</td>
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<tr>
<td>Non specific goods and services</td>
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11.(11) To aid in the establishment of product lists, the WTO has developed a provisional list of Tourism Specific products (TSP). This list has been established empirically, using previously existing national and institutional lists and the specific knowledge of researchers, and applying for inclusion, in a loose way the following criteria:

- those the supply of which would cease to exist in meaningful quantity in the absence of visitors;
- those which represent a significant share of tourism consumption;
- those in whose absence, tourism consumption might be significantly affected.

11.(12) The present list is provisional and will be updated periodically when more experience is gathered on TSAs and on other functionally oriented Satellite Accounts in other areas such as health and education.

11.(13) Tourism characteristic products are a sub-set of the list of Tourism Specific Products. In order to achieve international comparability, it would seem legitimate to use a high degree of disaggregation of products, so that the characteristicity of a product could be more easily identified. However, this possibility is limited by the high degree of aggregation in which most countries obtain their information (in most of the cases, this degree does not exceed the 4 digit level of CPC version 1.0). As a consequence, the proposed list of tourism characteristic products, for the time being, presents a high level of aggregation.

11.(14) Conceptually, the list of Tourism Characteristic Products (TSA/TCP) proposed could include both goods and services. However, for the time being, the list of Tourism Characteristic Products concentrates on services which have been traditionally considered as tourism services, as they respond to the more general needs and wants of visitors as can be: accommodation, food and beverage serving services, long distance transportation and the associated services (including car rentals); travel arranger services, tourism guides and cultural and recreation services. This restriction responds to two main reasons:

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23 It appears in Chapter IV A.3. “Classifications used” and has its application in tables 1 to 7.
the first relates to the great differences within the goods purchased by visitors among countries and places visited;
• the second refers to the fact that the basic statistical information to be used to fill up the tables comes from the visitors themselves: nevertheless, it has been observed that, in most cases, the use of this type of statistical source, makes it difficult to go beyond the broad concepts of “shopping” or “souvenirs”.

12. **Treatment of goods**

Revised paragraphs 3.54 - 3.59

12.(1) As a consequence, the total purchaser’s price of goods are part of visitor consumption. This is the full price paid by the visitor or others on his behalf, for the purchase.

12.(2) In most cases, the producers of the goods are neither those who sell their production to final consumer, nor those who finally serve them: there exists a chain of transport providers, wholesale traders, and finally retailers who sells the product to a visitor. The product might have been produced in a nearby location, or in a different economy.

12.(3) The whole chain participates in the supply of the product to the visitor, from the producer of the good, those who transport it, those who trade it in different forms, and finally, the last link of the chain, the retailer, who sells the good to the visitor. The producer is usually totally unaware of whom the final purchaser is.

12.(4) Importantly, the use of the purchaser’s value of the goods should allow the decomposition of the tourism supply between the basic value of the good and the corresponding margins. Ideally information should be available to be able to make the complete decomposition and thus the measurement of tourism supply with respect to goods should not be limited by data considerations. It may be the case that a breakdown of different margins is not available. Treatment in such situations would need to be considered based on examination of the data issues concerned.

12.(5) The valuation scheme used in the proposed tables corresponds to a coherent scheme where the value of the products and the corresponding distribution margins are clearly explained. The tables use the same basis of recording as the national accounts and therefore various aggregate measures can be defined consistent with the principles used in the national accounts.

12.(6) Overall, the treatment of goods within tourism supply is complicated by trying to decide whether all of the output of the various producers involved in getting the good to sale should be included or only the output of the producer with whom the visitor has direct contact, i.e. the retailer. The case is by no means clear in either direction since one can imagine different approaches being ideal for different goods depending on the purpose of the analysis. It may be that for analytical purposes a country chooses one method or another to reflect the level of tourism supply.

12.(7) Without a common position in this area it is stated in this proposal that international intergovernmental organisations (such as WTO, OECD and Eurostat) will continue the task of defining appropriate criteria of valuation to analyse the economic impacts of tourism and defining appropriate standards for the presentation and international comparison of results. The experience of countries in the development and use of their TSAs in the future will provide important input to this task.
13. **Tourism employment**

Revised 3.69

13.(1) This underlines the importance of measuring employment by a variety of indicators which complement each other and may not have general application in the economy. These include: employment, jobs, full-time equivalent employment, and total hours worked. Complementarity and consistency between measures of compensation of employees and the measures of employment is also an important consideration. In order to extend analysis in this important area of tourism statistics the OECD has developed an employment module for TSAs and a more complete description of this module is contained in Annex 3 of this document.

**New Annex**

Annex 3: OECD Employment module

**Introduction**

13.(A1) The OECD Employment module presents a conceptual and methodological framework with a set of key employment variables. The work highlights the importance of employment and human resource issues for the tourism-related industries and, therefore, the need to dispose of comprehensive and reliable employment data for both public and private users. The guidelines are consistent with the concepts and definitions followed in other areas of socio-economic and tourism statistics, notably the System of National Account 1993, the ILO standards, the 1994 UN/WTO definitions on tourism statistics and the 1999 OECD guidelines on Tourism Satellite Accounts. The methodology is intended to be simple and flexible for adoption and adaptation.

**Objectives**

13.(A2) The primary objective of the OECD Employment module is to provide a statistical framework and methodological guidelines to establish the level and some characteristics of employment in the tourism industry. This is mainly done from a supply-side perspective. In other words, only the employment in a set of selected characteristic tourism industries is taken into account. Even if the OECD Employment module is closely linked to Tourism Satellite Accounts, it should also stand on its own, that is, employment should not be seen only as a factor in the production process (TSA), but also as a social phenomenon. Such a broader view on employment does not fit the core tables of the TSA.

13.(A3) The introduction of this methodology should eventually lead to the generation of internationally comparable statistics on employment in the tourism industry. This will not be an easy task, because comparability of data on employment in general is already hampered by differences in methods and definitions between countries. Even on a national level, employment statistics and data-sources often provide different and fragmented results.

**The conceptual framework**

13.(A4) The *OECD Guidelines for a Tourism Satellite Account: Employment Module* establish a process that links basic employment data with the Tourism Satellite Account, by using the employment module as an integration framework (micro-macro linkage). This process uses indicators of the general level of tourism-related employment, like jobs, persons employed or full-time equivalents - with a further distinction for seasonal employment and ‘jobs on the side’ - and key employment variable, like gender, age, education level, nationality, status in employment, working scheme, average seniority, average hours of work, average gross earnings,

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24 SNA93, ¶17.4 - 17.18.
permanency of jobs or irregular working hours. By analysing the input-output accounts of the Tourism Satellite Account, demand and supply of tourism are connected. This results in a selection of tourism-related industries, seen from a supply-side. Such a framework provides possibilities for statistical integration and coordination.

The way forward

13.(A5) The employment module can improve national and international comparability of tourism-related employment data considerably. It can function as a benchmark against which other employment data can be set, leading to a better overall picture and increased comparability. However, the connection between the employment module and TSA should not be seen as the only and perfect road. The OECD Employment module also highlights areas where further research could be done. The experience of countries in implementing the employment module and the co-operative work currently being developed between various international organisations should be helpful in clarifying some of these issues.

14. **Valuation and time of recording**

New paragraphs after 4.8

14(1) The valuation principles that should be employed are essentially the same as those advocated in SNA93, that is, production should be valued at basic values and use at purchasers’ prices. As far as time of recording is concerned, the TSA operates on the same basis as SNA93, that is, on an accruals basis, not on cash or “due for payments bases”.

14(2) In practice, the valuation and time of recording methods used are likely to be consistent with those used in the general national accounts of the country compiling the TSA. Therefore, depending on individual country practices these methods may not be identical to the recommendations of SNA93 or of this proposal. Consequently, for the purposes of international comparison it is important that the methods of valuation and time of recording are understood by TSA compilers and are reported when disseminating data or methodology.

15. **The estimation of tourism value added aggregates**

Revised paragraph 4.53

15.(1) The implication of this approach of using various assumptions relating to the production of tourism goods and services is that the results are essentially modeled rather than being directly observed and reconciled with statistical data. This is due to the fact that, as already commented, value added is strictly associated to a production process taken as a whole and not to a specific output.

New paragraph after 4.54

15.(2) Although there are difficulties in establishing the assumptions for the calculation of tourism value added the assumptions for the calculation of TGDP are even more problematic. This is because the difference between TVA and TGDP consists mainly of taxes and subsidies and appropriate tourism shares for these items are not necessarily as connected to the production of tourism products as is the case with intermediate consumption and output. While the calculation of TGDP is possible it should be noted that there are additional considerations to be taken into account in performing this calculation which make it important that care be taken in its use and interpretation.
New paragraph after 4.83
15.(3) In part the difficulty is that VATI is dependent on the definition of the characteristic industries which could vary across countries. As well, because of differences across countries even using the same range of characteristic industries may not lead to comparable measures of tourism’s impact in different countries.

Revised 4.87, 4.91
15.(4) But TVA would also include additionally the corresponding value added associated with the output of those secondary activities that, although part of visitor consumption is not produced by establishments whose main activity is a tourism characteristic activity. Consequently, TVA can be seen to be independent of the definition of characteristic industries and products. This aids its usefulness as an internationally comparable measure of the economic impact of tourism.

15.(5) It is important to address three issues here:

- The only indicators strictly characterizing tourism supply emerge from TVA and TGDP. VATI is a measure of the supply side of tourism but is not sufficiently well defined in terms of its links to visitor consumption to allow it to be the most accurate measure of tourism supply.
- TVA and TGDP can provide measures of the economic importance of tourism in a country in the same sense as the GDP of any productive activity does. However, they do not refer to tourism as a productive activity comparable to productive activities in SNA93. They are indicators emanating from a reconciliation of tourism consumption and supply, and their values will depend on the scope of measurement of visitor consumption that a country adopts.
- The estimation of TVA and TGDP relies on a number of measurement assumptions. For TVA these assumptions can be determined and applied in a reasonably straightforward manner. However, for TGDP there are significantly more problems in separating out tourism and non-tourism components of the variables concerned and thus additional care must be taken when using or interpreting this aggregate.

16. The use of physical/non-monetary indicators

Revised 4.73
16.(1) SNA93 states explicitly 25, physical indicators are an essential component of Satellite Accounts and in no case should they be viewed as a secondary part of these. However, in the future work will be required to better link the provisional list of non-monetary indicators to the logic underlying the monetary tables. This will assist in the ability to use non-monetary indicators as a key element in tourism analysis.

17. The definition of total tourism demand

Revised 4.107 - 4.109
17.(1) Internal tourism consumption is the central aggregate to qualify the size of direct visitor consumption within a country of reference. However, broader notions of tourism demand could be envisaged and thus it may be reasonable to consider that the internal tourism consumption aggregate could validly be complemented with other components of final demand generated by this attention to visitors. However, it is to

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be understood that the addition of some components of demand should not be considered as synonymous with the aggregation of demand components to form the expenditure based measure of GDP.

17.(2) In this proposal an additional aggregate is suggested called Total tourism demand, which consists of the sum of internal tourism consumption, tourism gross fixed capital formation and tourism collective consumption. It is noted however, that the definition and measurement problems associated with tourism GFCF and tourism collective consumption are by extension equally relevant for total tourism demand and thus its precise definition cannot be made as yet.

17.(3) Therefore, coherent with previous remarks 26, this proposal does not consider the estimation of this aggregate for international comparison until more experience and methodological research, especially regarding tourism GFCF and tourism collective consumption, is undertaken.

18. Bibliography

New and revised titles

Council of the European Union

European Commission

European Commission - Eurostat

Organization for Economic Cooperation and Development - OECD
OECD Guidelines for a Tourism Satellite Account, November 1999

Organization for Economic Cooperation and Development - OECD

World Tourism Organization – WTO
Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism (Nice, France, 15-18 June 1999)

World Tourism Organization – WTO
Tourism Satellite Account (TSA): Methodological References, December 1999

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26 TSA 4.93, 4.101 and 4.106.
Annex 7

RECOMMENDATIONS WTO-UN
RECOM-unsc.doc

UP-DATE of the
Recommendations on Tourism Statistics
UN-WTO – Series M No. 83 (1994)

NOTE FOR TRANSLATORS

All the modifications to be included have been identified according to the corresponding Chapter, Section or Point.

All modifications relate to Part I of the Recommendations on Tourism Statistics.

The proposed modifications are explained, and the redrafting of the corresponding paragraphs is presented in full.

Some paragraphs have been added and some others deleted. Indication of these amendments is indicated in this document.

For new paragraphs, derived from the document “Tourism Satellite Account (TSA): Methodological References”, their origin has been clearly identified.

Chapters have been renumbered in the final document. Each chapter begins by number one.

Revised on 20 December 1999
Preface

The following paragraph has been added at the end of the Preface:

WTO and the Government of France organized from 15 to 18 June 1999 in Nice, France, the “Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism” in which the project Tourism Satellite Account (TSA): Methodological References was presented. The design of this new statistical instrument made it necessary to introduce certain changes to the Recommendations on Tourism Statistics” (Series M.Nº 83 of 1994) and this new version has included the appropriate updating.

Chapter I – Development and needs of tourism statistics

Section: A. Background

Point 3: First paragraph: Add after “June 1991” the following sentence: “… and by the Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism, held in Nice, France, in June 1999 “.

3. The present report has been prepared on the basis of the resolutions adopted by the International Conference on Travel and Tourism Statistics held in Ottawa in June 1991 and by the Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism, held in Nice, France, in June 1999. It also takes into account earlier international work on tourism statistics, particularly the provisional guidelines on statistics of international tourism as approved by the Statistical Commission at its nineteenth session, held in November 1976. For the present report, use has also been made of the guidelines on tourism statistics prepared by the United Nations Conference on Trade and Development (UNCTAD), IUOTO, the United Nations and subsequently by WTO.


4. The development of the set of definitions and classifications included in this report also reflects the work carried out by other international and regional organizations, in particular:

**Point 4 (b):** The word “Statistical” must be substituted by “Statistics”.

(b) The cooperation between the Statistics Division of the United Nations Secretariat and the United Nations regional commissions, as well as other regional and supranational organizations, namely the Organisation for Economic Co-operation and Development (OECD), the Statistical Office of the European Communities (EUROSTAT), the Pacific Asia Travel Association (PATA) and the Caribbean Tourism Organization (CTO);

**Section: B. The need for tourism statistics**

Points 6 and 7 should be deleted and replaced by the following paragraphs:

* Tourism, described as the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited, has grown substantially over the last quarter of a century, as an economic and social phenomenon. Statistical information on the nature, progress and consequences of tourism is, on the whole, scanty and incomplete. This situation deprives governments, businesses and citizens of the accurate information necessary for effective public policies, efficient business operations, and a rising standard of living for both visitors and hosts. Valid information on the role tourism plays in national economies throughout the world is particularly deficient, and credible data concerning the scale and significance of tourism is urgently needed.

* If, in the past, the description of tourism focused on the characteristics of visitors, on the conditions in which they travelled and stayed, the purpose of visit, etc., there is an increasing awareness nowadays on the role tourism is playing and can play, directly, indirectly or through induced effects in the economy in terms
of generation of value added, employment, personal income, government income, etc.

(The following paragraph corresponds to paragraph 1.3 of the document TSA :Methodological References)
* As a consequence, the type of data on tourism required both by the public and the private sector has radically changed in nature. Besides descriptive information on the flow of visitors and of the conditions in which they are received and served, countries now need robust information and indicators to enhance the credibility of the measurements concerning the economic importance of tourism. These should have the following characteristics:

(a) They should be statistical in character and be produced on a regular basis, that is, not only as one-time estimations, but as on-going statistical processes, combining the compilation of benchmark estimations with more flexible uses of indicators to enhance the usefulness of the results;

(b) Estimates must be based on reliable statistical sources, where visitors and producers of services are both observed, possibly using independent procedures;

(c) Data should be comparable over time within the same country, comparable among countries, and comparable with other fields of economic activities;

(d) Data should be internally consistent and presented within macro-economic frameworks recognized at the international level; that is, there is a need for new instruments of statistical observation.

(The following paragraph corresponds to paragraph 1.4 of the document TSA :Methodological References)
* The data required cover the following main areas: analysis of the demand generated by the different forms of tourism (within the same economy, from other economies or towards other economies), classified according to characteristics of the visitors themselves and of their trips, of the goods and services acquired; the incidence of such supply on the basic macroeconomic variables of the country of reference; production functions and interrelationship between activities, which provide the basis for impact analysis; descriptions of the nature of employment and jobs, of capital formation and of non-financial investment; imports and exports and impacts on balance of payments; effects on government revenues, generation of personal and business income, etc.

The study of tourism has to take all these elements into consideration in a regular and systematic presentation and, to this end, countries should develop their own system of tourism statistics.
Chapter II – Concepts and forms of tourism

Section: A. Concepts of tourism

**Point 9:** The paragraph should be completed with the following sentence: “... Not related to the exercise of an activity remunerated from within the place visited”.

9. Tourism comprises "the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited".

Section: B. Forms of tourism

**Point 11:** This point has been completely modified and should be read as follows:

“In relation to a given country, the following types of tourism can be distinguished:
(a) Domestic tourism: is the tourism of resident visitors within the economic territory of the country of reference
(b) Inbound tourism: is the tourism of non resident visitors within the economic territory of the country of reference
(c) Outbound tourism: is the tourism of resident visitors outside the economic territory of the country of reference.

**Points 12 and 13:** The words “forms of tourism” should be replaced by “types of tourism”

12. The same types of tourism may be described by replacing the word "country" with the word "region". In this case these types of tourism would no longer refer to a country but to a region. The term "region" may refer either to an area within a country or to a group of countries.

13. The three basic types of tourism set forth in paragraph 11 (paragraph 2.4 in the Rev.1-0 version of the Recommendations) can be combined in various ways to derive the following categories of tourism:

(a) Internal tourism, which comprises domestic tourism and inbound tourism;
(b) National tourism, which comprises domestic tourism and outbound tourism;
(c) International tourism, which consists of inbound tourism and outbound tourism.
**Point 14:** The words “that is, both domestic tourism and inbound tourism” should be replaced by “that is, internal tourism”

14. The term "domestic" used in the tourism context differs from its use in the national accounts context. "Domestic", in the tourism context, retains its original marketing connotations, that is, it refers to residents travelling within their own country. In the national accounts context it refers to the activities and expenditure of both residents and non-residents travelling within the reference country, that is, internal tourism.

**Chapter III:** The title “Basic tourism units” must be read “Basic tourism consumption units”

**Chapter III. Basic tourism consumption units**

**Point 15:** The words “basic tourism units” should be replaced by “basic tourism consumption units”. The word “usual” should be deleted.

15. In the present context, basic tourism consumption units refer to the individuals/households which are the subject of tourism activities and can therefore be addressed in surveys as the statistical units (notwithstanding broader or different concepts of statistical unit, e.g., unit of observation, enumeration, classification, analysis). The overall concept of "traveller" refers to "any person on a trip between two or more countries or between two or more localities within his/her country of residence".

**Section B: Usual environment of a person**

**Point 22 (b):** The word “usual” should be deleted.

(b) Minimum duration of absence from place of residence;

**Section C: “Usual residence” must be read: Residence**

**Section C: Residence**

23. The country of residence is one of the key criteria for determining whether a person arriving in a country is a “visitor” or “other traveller”, and if a “visitor”, whether s/he is a national or overseas resident. The underlying concept in the classification of international visitors by place of origin is the country of residence, not their nationality. Foreign nationals residing in a country are assimilated with
other residents for the purpose of domestic and outbound tourism statistics. Nationals of a country residing abroad who return to their home country on a temporary visit are included with non-resident visitors, though it may be desirable to distinguish them in some studies.

Section F: Nationality

Point 26: The word “normally” should be deleted.

26. The nationality of a traveller is that of the “Government issuing his/her passport (or other identification document), even if s/he resides in another country.

Point 27: The word “usual” should be deleted. The words “None the less” should be deleted:

27. Nationality is indicated in the person's passport (or other identification document), while country of residence has to be determined by means of a question. A traveller is considered either an international or domestic visitor on the basis of his/her residence, not his/her nationality.

Section G: Visitors according to forms of tourism

Point 29: The words “usual” and “main” should be deleted:

29. For statistical purposes, the term "international visitor" describes "any person who travels to a country other than that in which s/he has his/her residence but outside his/her usual environment for a period not exceeding 12 months and whose purpose of visit is other than the exercise of an activity remunerated from within the country visited".

Point 30 (b): The paragraph should be completed with the following sentence: “…A special category of this type of visitors is “in transit same-day visitors”.

(b) Same-day visitors: visitors who do not spend the night in a collective or private accommodation in the country visited. A special category of this type of visitors is “in transit same-day visitors”.

Point 31 (e): The last sentence should be deleted and substituted by “Other passengers in transit through a country are classified as tourists if they stay one night (or more), or as in transit same-day visitors if they do not”.
(e) Persons in transit who do not formally enter the country through passport control, such as air transit passengers who remain for a short period in a designated area of the air terminal or ship passengers who are not permitted to disembark. This category would include passengers transferred directly between airports or other terminals. Other passengers in transit through a country are classified as tourists if they stay one night (or more), or as in transit same-day visitors if they do not.

**Point 33 (b):** The paragraph should be completed with the following sentence: “...A special category of this type of visitors is “in transit same-day visitors”.

(b) Same-day visitors: “visitors who do not spend the night in a collective or private accommodation in the place visited. A special category of this type of visitors is “in transit same-day visitors”.

**Point 34 (a):** The word “usual” must be deleted.

(a) Residents travelling to another place within the country with the intention of setting up their residence in that place;

**Section: H. Same-day travel**

**Point 38 (bis):** A new paragraph should be added, reading as follows:

(The following paragraph corresponds to paragraph 2.21 of the document TSA : Methodological References)

“In transit same-day visitors” constitutes a specific category of same-day visitors, relevant for statistical purposes, and relating both to international and domestic visitors. They include different sets of passengers, the identification of which present interest in some countries, because of their relevance, both in numerical terms and for their economic impact. It refers to same-day visitors who do not return to their place of origin within 24 hours of their departure, but are in their way towards a different destination, and do not stay one night in the country of reference. Within this constituency are included those visitors crossing a location or the territory of a country, heading to a different destination (the most relevant cases refer to those travelling by road or rail).
Section: I. Same-day visits classified by place of departure

**Point 39:** The word “usual” should be deleted. Point (c) “During the course of a trip, regardless of purpose” should read "During the course of a trip, regardless of purpose: the visitors are in transit same-day visitors":

39. There are various types of same-day visits based on the place of departure, each of which should be clearly distinguished for the purpose of tourism statistics:
   (a) Round-trip starting from the place of residence;
   (b) Round-trip from the place of the second residence, or from the place visited by a tourist, regardless of the purpose;
   (c) During the course of a trip, regardless of purpose: the visitors are in transit same-day visitors.
      (i) Stopover on a trip by air;
      (ii) Stopover on a trip by sea (cruise or other trips where the passenger spends the night aboard ship);
      (iii) Stopover on a trip by land at any place, but not involving an overnight stay.

**Point 40:** should be deleted.

Chapter IV. Classification of tourism demand

**Point 41:** At the end of the sentence, the words “… to international and domestic tourism” should be replaced by “different forms of tourism”.

41. The aim is to propose standard classifications to enhance international comparability and for gradual universal application, and to ensure that such classifications can be applied equally, so far as possible, and with slight adjustments, to different forms of tourism.

**Point 42:** The words “their place of usual residence” must read “usual environment”:

42. The terms "trip" or "visit" describe any travel to a place outside one’s usual environment. They refer to the activities that visitors undertake from their usual environment, from the moment they leave until they return.
Section A: The title “Purpose of visit” must be read “Classification of purpose of visit”. The sub-section “Classification” should be deleted.

Section A: Classification of purpose of visit

Point 44:
- In the first paragraph the word “main” should be deleted.
- In the third paragraph, the parenthetical comment “which can be used for international and domestic tourism” should be deleted
- The title of the “Classification of purpose of visit (or trip) by main groups for inbound, outbound and domestic tourism” should read: “Classification of purpose of visit (or trip) by types of tourism”

44. A classification of purpose of visit (or trip) by major groups is recommended below. It elaborates on a classification proposed by the United Nations in 1979 in its Provisional Guidelines on Statistics of International Tourism. This classification is designed to measure the key segments of tourism demand for planning, marketing and promotion purposes.

Classification of purpose of visit (or trip) by types of tourism

Major groups
1. Leisure, recreation and holidays
2. Visiting friends and relatives
3. Business and professional
4. Health treatment
5. Religion/pilgrimages
6. Other

Section B: Duration of stay or trip

1. Duration of visit (stay or trip)

Point 49: The word “usual” should be deleted.

49. The duration of a visit (stay or trip) is measured in the following units: “the number of hours for same-day visits, and nights for staying visits. For international tourism the duration is measured either in terms of time spent in the receiving country for inbound tourism, or time away from the residence for outbound tourism”.

Section C: Origin and destination of trip

Point 52: The word “usual” should be deleted. The sentence “The country of usual residence is also a criterion for determining whether a person arriving in a country is a visitor or not, and if a visitor, whether s/he is a national or overseas resident” should be replaced by “The determination of the country of residence allows also to identify those visitors returning to their country
of residence, and thus, excluded from the measurement of inbound tourism”

52. For inbound tourism, it is essential to classify visitors by country of residence rather than by nationality. It is in the country of residence that the decision to travel is taken and where the trip begins. The determination of the country of residence allows also to identify those visitors returning to their country of residence, and thus, excluded from the measurement of inbound tourism.

**Point 56:** The word “Statistical” should be replaced by “Statistics”.

56. The "United Nations standard country or area codes for statistical use", once revised by the Statistics Division of the United Nations Secretariat and published, could serve as a guide for the development of a classification of countries and areas for tourism statistics.

**Section E:** The title “Means of transport” should read “Classification of means of passenger transport”. The sub-section “Definition and classification of means of transport” should be deleted.

**Section E: Classification of means of passenger transport**

**Point 59:** The word “usual” should be deleted. Include, at the end of the paragraph “outside his/her usual environment”:

59. For tourism statistics, "the means of transport refers to the means used by a visitor to travel from his/her place of residence to the places visited outside his/her usual environment”.

**Point 60:** A new sentence should be included reading as follows: “This classification is consistent with the Central Product Classification (CPC Version 1.0), the list of Tourism Specific Products (TSP) and the list of Tourism Characteristic Products (TSA/TCP), except for the minor group 3.3 of the Classification of means of passenger transport “Private vehicles (with capacity for up to eight persons)”, which is not contemplated in these classifications since these vehicles do not generate an economic activity”:

60. A classification of means of passenger transport used by the visitors is suggested below. It elaborates on the classification published by the United Nations in 1979 in its Provisional Guidelines on Statistics of International Tourism. This classification is consistent with the Central Product Classification (CPC Version 1.0), the list of Tourism Specific Products (TSP) and the list of Tourism Characteristic Products (TSA/TCP), except for the minor group 3.3 of the Standard Classification of means of transport “Private vehicles (with capacity for
up to eight persons)”, which is not contemplated in these classifications since these vehicles do not generate an economic activity.

**Point 62:** The title of the classification “Standard classification of means of transport” will be renamed as “Classification of means of passenger transport”:

62. There is an increasing need for information about flows and traffic on a multimodal basis (e.g., taxi to station, train to airport, bus to hotel, fly and cruise, air and rented car). One possible approach might be to record the main mode of transport (by time) and then any minor modes.

### CLASSIFICATION OF MEANS OF PASSENGER TRANSPORT

<table>
<thead>
<tr>
<th>Major groups</th>
<th>Minor groups</th>
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<tbody>
<tr>
<td>1. Air</td>
<td>1.1. Scheduled flights</td>
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<td></td>
<td>1.2. Non-scheduled flights</td>
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<td></td>
<td>1.3. Other services</td>
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<tr>
<td>2. Waterway</td>
<td>2.1. Passenger lines and ferries</td>
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<td></td>
<td>2.2. Cruise</td>
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<td></td>
<td>2.3. Other</td>
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<tr>
<td>3. Land</td>
<td>3.1. Railway</td>
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<td></td>
<td>3.2. Motor coach or bus and other public road transport</td>
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<td>3.3. Private vehicles (with capacity for up to eight persons)</td>
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<td></td>
<td>3.4. Vehicle rental</td>
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<td></td>
<td>3.5. Other means of transport</td>
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</tbody>
</table>

**Section F:** The title “Tourism accommodation” must be read “Classification of tourism accommodation”. All the chapter has been partially modified and the Annex deleted. The notes have also been modified and included in the new version of Section F. *(The numbering of the different paragraphs relate to the new version of the Recommendations Rev.1-0)*

**F. Classification of tourism accommodation**

4.23 Tourism accommodation is defined as “any facility that regularly, or occasionally, provides overnight accommodation for tourists”.

4.24 Tourism accommodation may be classified according to several criteria. This classification includes two main criteria: the collective or private character of the accommodation and the purpose and mode of use. For a larger level of disaggregation, two supplementary criteria have been introduced in some categories (level of specialization, whether free of
charge or rented), in order to satisfy the needs of the industry. This classification includes the following types of accommodation:

### Classification of tourism accommodation

<table>
<thead>
<tr>
<th>1.</th>
<th>Collective tourism accommodation</th>
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<tbody>
<tr>
<td>1.1</td>
<td>Hotels and similar establishments</td>
</tr>
<tr>
<td>1.1.1</td>
<td>Hotels</td>
</tr>
<tr>
<td>1.1.2</td>
<td>Similar establishments</td>
</tr>
<tr>
<td>1.2</td>
<td>Specialized collective establishments</td>
</tr>
<tr>
<td>1.2.1</td>
<td>Health establishments</td>
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<tr>
<td>1.2.2</td>
<td>Work and holidays camps</td>
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<tr>
<td>1.2.3</td>
<td>Accommodation in public means of transport</td>
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<tr>
<td>1.2.4</td>
<td>Conference centres</td>
</tr>
<tr>
<td>1.3</td>
<td>Other collective establishments</td>
</tr>
<tr>
<td>1.3.1</td>
<td>Holiday dwellings</td>
</tr>
<tr>
<td>1.3.2</td>
<td>Tourist campsites</td>
</tr>
<tr>
<td>1.3.3</td>
<td>Marinas</td>
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<tr>
<td>1.3.4</td>
<td>Other collective establishments, n.e.c.</td>
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</tbody>
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<table>
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<tr>
<th>2.</th>
<th>Private tourism accommodation</th>
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<tbody>
<tr>
<td>2.1</td>
<td>Rented private accommodation</td>
</tr>
<tr>
<td>2.1.1</td>
<td>Dwellings rented from private individuals, households or professional agencies</td>
</tr>
<tr>
<td>2.1.2</td>
<td>Rented rooms in family homes</td>
</tr>
<tr>
<td>2.2</td>
<td>Non rented private accommodation</td>
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<tr>
<td>2.2.1</td>
<td>Owned second homes for tourism purposes</td>
</tr>
<tr>
<td>2.2.2</td>
<td>Accommodation provided without charge by relatives and friends</td>
</tr>
<tr>
<td>2.2.3</td>
<td>Other private accommodation, n.e.c.</td>
</tr>
</tbody>
</table>

(The following paragraph corresponds to paragraph 75 of 1994 WTO-UN Recommendations on Tourism Statistics) The word “specific” in bold has been included:

4.25 The designation of a **specific** accommodation means in each group may, of course, vary from country to country, and some types of accommodation that exist in one country may be wholly unknown in other countries. The classification is however meant to be exhaustive, so that a type of accommodation may be assigned to a group and so have a generic title and conform to a descriptive or concise definition. Countries may adapt this classification to the structure of their supply of tourism accommodation without detracting from its international comparability.

4.26 On the basis of this classification it is possible to establish an operational correspondence with the Central Product Classification (CPC ver. 1.0) of United Nations, 1998 and the Statistical Classification of Products by Activity in the European Economic Community (CPA-96). The items associated to tourism accommodation in these general classifications are presented in a more aggregated form than those included in the Classification of tourism accommodation.
1. Collective tourism accommodation

(The following paragraph corresponds to paragraph 66 of 1994 WTO-UN Recommendations on Tourism Statistics)

4.27 The accommodation establishment conforms to the general definition for the establishment or local unit as production unit. It will be regarded as such for the purposes of tourism statistics, irrespective of whether the accommodation of tourists is the main or the secondary activity.

(The following paragraph corresponds partly to paragraph 67 of 1994 WTO-UN Recommendations on Tourism Statistics). (The modification relates to the beginning of the paragraph: “The collective tourism accommodation”.

4.28 The collective tourism accommodation can be described as follows: “The accommodation establishment provides overnight lodging for the traveller in a room or some other unit, but the number of places it provides must be greater than a specified minimum for groups of persons exceeding a single family unit and all the places in the establishment must come under a common commercial-type management, even if it is non-profit-making”.

(The following paragraph corresponds to paragraph 68 of 1994 WTO-UN Recommendations on Tourism Statistics) The note to this paragraph has been modified.

4.29 In accordance with the United Nations Principles and Recommendations for Population and Housing Censuses, \(^1\) “collective living quarters include structurally separate and independent places of abode intended for habitation by large groups of individuals or several households and occupied at the time of the census”.

4.30 Collective tourism accommodation includes hotels and similar accommodation, specialized collective accommodation and other collective accommodation defined below.

(The following paragraph corresponds mostly to paragraph 69a of 1994 WTO-UN Recommendations on Tourism Statistics) (the modification relates to the wording “under a common commercial-type management”)

4.31 Hotels and similar establishments are typified as being arranged in rooms, in number exceeding a specified minimum; as coming under a common commercial-type management; as providing certain services, including room service, daily bed-making and cleaning of sanitary facilities; as grouped in classes and categories according to the facilities and services provided; and as not falling in the category of specialized establishments.

\(^1\) Statistical Papers, Series M, No. 67 Rev. 1 (United Nations Publications, Sales No. E.80.XVII.8) para. 2.355
4.32 **Hotels comprise** hotels, apartment-hotels, motels, roadside inns, beach hotels, residential clubs and similar establishments providing hotel services including more than daily bed-making and cleaning of the room and sanitary facilities.

4.33 **Similar establishments comprise** rooming and boarding houses, tourist residence and similar accommodation arranged in rooms and providing limited hotel services including daily bed-making and cleaning of the room and sanitary facilities.

4.34 **Specialized collective establishments comprise** any establishments intended for tourists, which may be non-profit making, coming under a common commercial-type management, providing minimum common services (not including daily bed-making) and not being arranged in rooms but perhaps in dwelling-type units, campsites or collective dormitories and often engaging in some activity besides the provision of accommodation. They include health establishments, work and holiday camps, accommodation in public means of transport and conference centres, which are described below.

4.35 **Health establishments comprise** health treatment and health care establishments providing accommodation, such as spas, thermal resorts, sanatoria, mountain sanatoria, convalescent homes, homes for the elderly, health farms and other similar establishments.

4.36 **Work and holiday camps comprise** camps providing accommodation for holiday activities, such as agricultural, archaeological and ecological work camps, holiday camps and villages, scout camps, mountain shelters, cabins and other similar establishments.

4.37 **Accommodation in public means of transport** consists of the accommodation, with sleeping facilities, associated with collective public
transport and inseparable from it as to expenditure; it mainly concerns trains, ships and boats.

(The following paragraph corresponds partly to point 1.2.4. of Annex on accommodation to 1994 WTO-UN Recommendations on Tourism Statistics)

4.38 Conference centres include establishments offering accommodation and specialized facilities for congresses, conference courses, vocational training, meditation and religion or young people's colleges. The sleeping accommodation is generally only available to the participants of the specialized activities organized in or by the establishments.

(The following paragraph corresponds partly to paragraph 69b of 1994 WTO-UN Recommendations on Tourism Statistics) (the modification relates to the wording “under a common commercial-type management” and the end of the paragraph)

4.39 Other collective establishments are any establishments intended for tourists, which may be non-profit making, coming under a common commercial-type management, providing minimum common services (not including daily bed-making) and not being arranged in rooms but perhaps in dwelling-type units, campsites or collective dormitories. They include holiday dwellings, tourist campsites, marinas and other collective accommodation n.e.c.

(The following paragraph corresponds partly to point 1.3.1. of Annex on accommodation to 1994 WTO-UN Recommendations on Tourism Statistics)

4.40 Holiday dwellings include collective facilities under common management, such as clusters of houses or bungalows arranged as dwelling-type accommodation, and providing limited hotel services (not including daily bed-making and cleaning).

(The following paragraph corresponds partly to point 1.3.2. of Annex on accommodation to 1994 WTO-UN Recommendations on Tourism Statistics)

4.41 Tourist campsites consist of collective facilities in enclosed areas for tents, caravans, trailers and vehicle homes. All come under common management and provide some tourist services (shop, information, recreational activities).

4.42 Marinas consist of boating harbours where boat owners can hire a berth in the water or a place on the land for the season or year and of ports for passing vessels where sailors buy mooring per night. These two types may be combined. At least some sanitary facilities are provided. Marinas may be run by clubs for water sports, businesses or public administration.

(The following paragraph corresponds partly to point 1.3.3. of Annex on accommodation to 1994 WTO-UN Recommendations on Tourism Statistics)
4.43 **Other collective establishments n.e.c. comprise** youth hostels, tourist dormitories, group accommodation, holiday homes for the elderly, holiday accommodation owned by businesses for their employees and workers, halls of residence for students and school dormitories, and other similar facilities that come under common commercial-type management, have a social interest and are often subsidized.

2. Private tourism accommodation

(The following paragraph corresponds partly to paragraphs 71 and 72 of 1994 WTO-UN Recommendations on Tourism Statistics)

4.44 Under this heading come the remaining types of tourist accommodation of a specific nature that do not conform to the definition of “establishment” and form a separate group in the classification. Private tourism accommodation provides a limited number of places for rent or without charge. Each accommodation unit (room, dwelling) is then independent and is occupied by tourists, usually by week, fortnight or month or by its owners as a second or holiday home.

(The following paragraph corresponds partly to paragraph 73 of 1994 WTO-UN Recommendations on Tourism Statistics) The note has also been modified.

4.45 In accordance with the United Nations *Principles and Recommendations for Population and Housing Censuses*, “a housing unit is a separate and independent place of abode intended for habitation by a single household, or one not intended for habitation but occupied as living quarters by a household at the time of the census”. 2

4.46 Private tourism accommodation includes rented private accommodation and non rented private accommodation as defined below.

4.47 **Rented private accommodation** comprise lodging places rented by households.

(The following paragraph corresponds partly to point 2.1.3. of Annex on accommodation to 1994 WTO-UN Recommendations on Tourism Statistics)

4.48 **Dwellings rented from private individuals, households or professional agencies comprise** apartments, villas, houses, chalets and other dwellings rented or leased as completed units between households, on a temporary basis, as tourist accommodation.

(The following paragraph corresponds partly to point 2.1.2. of Annex on accommodation to 1994 WTO-UN Recommendations on Tourism Statistics)

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2 Ibid., para. 2.331
4.49 **Rented rooms in family houses**: the accommodation covered differs from the boarding house in that the tourist stays with the family that usually lives in the home and pays a rent.

4.50 **Non rented private accommodation** comprise lodging places offered free of charge to guests.

(The following paragraph corresponds partly to point 2.1.1. of Annex on accommodation to 1994 WTO-UN Recommendations on Tourism Statistics)

4.51 **Owned second homes for tourism purposes comprise** apartments, villas, houses, chalets, etc used during the tourist trip by visitors that are members of the owned household. It also includes dwellings incorporated in a time-sharing contract.

(The following paragraph corresponds partly to point 2.1.4. of Annex on accommodation to 1994 WTO-UN Recommendations on Tourism Statistics)

4.52 **Accommodation provided without charge by relatives or friends**: this accommodation concerns tourists allowed by relatives or friends to use all or part of their home free of charge.

(The following paragraph corresponds partly to point 2.1.5. of Annex on accommodation to 1994 WTO-UN Recommendations on Tourism Statistics)

4.53 **Other private accommodation n.e.c.** includes other types of accommodation such as vessels at unofficial moorings.

**Chapter VI – The title “Statistics on tourism expenditure” must be deleted and replaced by “Measurement of tourism activity”**

**Chapter VI: **must be deleted. It has been newly redrafted with the following title: **Measurement of tourism activity**.

**Chapter VI – Measurement of tourism activity**

(The following paragraph corresponds partly to paragraph 2.1 of the document TSA : Methodological References)

82. Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited. The term “activity of persons” is used herein as the general meaning of the word and not as an abbreviated term for “productive economic activity”. The “activities of persons” refer to the pursuits of these individuals, who qualify as visitors.
83. As these activities are many and have consequences on a vast array of circumstances, the study of tourism can be made from a great variety of perspectives as, for instance, from that of its effect on the environment, on the general level of economic activities, on employment, etc.

84. Tourism is by nature a demand phenomenon. Visitor consumption is the basic component of the demand approach.

85. Tourism demand does not correspond only to visitor consumption. It must also include other concepts related to the attention to visitors in a country of reference, without which tourism activity could hardly take place, and more specifically:

- the existence of a basic infrastructure in terms of transport, accommodation, recreation, etc.;
- the role played by governments, at different levels, concerning the regulation of different activities associated to the development of tourism.

86. Although tourism is a demand phenomenon, the economic analysis of tourism requires, not only the identification of the resources used by visitors in their displacements, such as consumer goods and services purchased and, but also the knowledge of the characteristics of the units that produce them and the supply of those products. Both these aspects are particularly relevant.

87. Among different producer units, the establishment is specially relevant. It is defined as "an enterprise or part of an enterprise, that is situated in a single location and in which only a single (non ancillary) productive activity is carried out or in which the principal productive activity accounts for the most of the value added (1). By extension, groups of establishments engaged in the same kind of productive activities define an industry (2).

Notes to Point 87:
(1) SNA93, ¶5.21
(2) SNA93, ¶15.16

A. The definition of visitor consumption
Visitor consumption is the basic concept measuring tourism activity. It is defined as the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination.

Visitor consumption includes:

- all consumption expenditure made during the trips by a visitor or on behalf of him/her regardless of the nature of the good and service as long as it is a consumption good and service;
- all consumption expenditure made before the trip by a visitor or on behalf of him/her in goods and services necessary for the preparation and undertaking of the trip: those goods and services which use is clearly related to it (inoculation, passports, medical control, etc.), as well as the purchase of small durable goods for personal use, souvenirs and gifts for family and friends;
- all consumption expenditure made after the trip by a visitor or on behalf of him/her in those goods and services (photograph development, repairs, etc.) which use is clearly related to it.
- consumer durable goods will have a different treatment according to the following convention:

(a) During trips, all consumer durable goods (tourism single and multipurpose consumer durable goods) purchased are included within visitor consumption;

(b) Before or after a trip, all tourism single purpose durable goods and small durable goods for personal use are included within visitor consumption;

(c) Outside the context of a trip, solely tourism single purpose consumer durable goods purchased, are included within visitor consumption.

B. Components of visitor consumption
90. Visitor consumption is not restricted to the consumption expenditure by the visitor from his/her own cash resources, but also encompasses expenditure made on behalf of him/her, by the following units:

- A resident household different from that of the visitor
- A resident producing unit acting in this capacity
- General government and non profit institutions serving households of the country of reference
- Any other non resident unit.

91. Visitor consumption can be represented schematically according to the figure I.
Figure I. The components of visitor consumption

Visitor final consumption expenditure in cash (1)

- Visitor barter transactions
- Visitor production for own final use
- Counterpart of income in kind

Visitor final consumption expenditure in kind

- Tourism social security benefits in kind (2)
- Tourism social assistance benefits in kind (2)
- Individual non market tourism services

Tourism social transfers in kind

Visitor actual final consumption

Tourism business expenses (3)

Visitor consumption (4)

(1) This always represents the most important component of total consumption of, or on behalf of, visitors. The term “in cash” does not necessarily mean a disbursement of “cash” but refers to all visitor final consumption expenditure which are not in kind.

(2) The term “tourism” refers to those transfers for tourism purposes addressed to potential visitors.

(3) Includes exclusively the expenditure on transport and accommodation of employees on business trips and those made by business on behalf of guests outside their usual environment.

(4) Visitor consumption refers to total consumption of or on behalf of visitors.
C. Visitor consumption and forms of tourism

(The following paragraph corresponds to the right-hand side of the figure included in paragraph 2.56 (partly) of the document TSA: Methodological References)

92. Visitor consumption must be located geographically in order to analyze its impacts on the country of reference. Based on forms of tourism, and taking into consideration that consumption is an activity of visitors, different aggregations for tourism consumption can be derived:

(a) **Domestic tourism consumption:** comprises the consumption of resident visitors within the economic territory of the country of reference;
(b) **Inbound tourism consumption:** comprises the consumption of non resident visitors within the economic territory of reference and/or that provided by residents;
(c) **Outbound tourism consumption:** comprises the consumption of resident visitors outside the economic territory of reference and provided by non residents;
(d) **Internal tourism consumption:** comprises the consumption of both resident and non resident visitors within the economic territory of the country of reference and/or that provided by residents;
(e) **National tourism consumption:** comprises the consumption of resident visitors, within and outside the economic territory of the country of reference.

D. Payments which should be excluded

(The following paragraph corresponds to paragraph 2.47 (partly) of the document TSA: Methodological References)

93. By convention, there are payments related to a trip that visitors might make which are excluded from visitor consumption.

(a) Those which do not correspond to the purchase of consumption goods and services, such as:
   - the payment of taxes and duties not levied on products;
   - the payment of interests including those on expenditure made during and for trips;
   - the purchase of financial and of non financial assets, including land, works of arts and other valuables;
   - the acquisition of multipurpose consumer durable goods of important unit value not made during trips;
   - all transfer payments in cash such as donations to charities or to other individuals and which do not correspond to the payment for goods or services,
(b) Any purchases on a trip for commercial purposes, that is, for resale or use in a production process or on behalf of his/her employer by a visitor on a business trip (these are intermediate consumption or gross fixed capital formation of the producing unit).
E. Classification of visitor consumption expenditure

94. Visitor consumption expenditure can be classified according to the “nature” of the products purchased by visitors and follows the criterion of the “purpose” or objective of the visitor consumption expenditure.

95. The visitor consumption expenditure classification, according to the nature of the products and based on the Central Product Classification (CCP), Version 1.0 of the United Nations, and its correspondence with the Tourism Specific Products (TSP) and Tourism Characteristic Products (TSA/TCP), includes the following groups of products in its first level of aggregation:

A. Specific products
   A.1. Characteristic products
       1 – Accommodation
       2 – Food and beverage serving services
       3 – Passenger transport services
       4 – Travel agency, tour operator and tourist guide services
       5 – Cultural services
       6 – Recreation and other entertainment services
       7 – Miscellaneous tourism services
   A.2. Connected products

B. Non specific products

(The following paragraph corresponds partly to paragraph 95 of the WTO-UN 1994 Recommendations on tourism statistics)

96. The visitor consumption expenditure classification, according to the purpose of visitor consumption, should be based on the Classification of Individual Consumption by Purpose (COICOP) of the United Nations. Until this new classification is available, the traditional classification of tourism expenditure should be maintained:

1. Package travel, package holidays and package tours
2. Accommodation
3. Food and drinks
4. Transport
5. Recreation, culture and sporting activities
6. Shopping
7. Other services.

Chapter VII – Further work to be carried out by the
World Tourism Organization in cooperation with other organizations

Must be deleted.
ANNEXES

B. ADDITIONAL TEXTS
Annex 8

Main definitions of concepts used in SNA93 and important for the understanding of TSA

This paper is made of abstracts from SNA93, referred by their paragraph in the main document.

Meaning of the term consumption

9.74. The term "consumption" on its own can be ambiguous and misleading. Sometimes it is used by economists to refer to consumption expenditures, sometimes to acquisitions of consumption goods and services and sometimes to the physical use of the goods and services for the direct satisfaction of human needs or wants. By distinguishing between consumption expenditure and actual final consumption, such ambiguity can be avoided. When consumption is recorded on an expenditure basis, the purpose is to identify the institutional units that incur the expenditures and hence control and finance the amounts of such expenditures. When consumption is recorded on an acquisitions basis, the purpose is to identify the units that actually acquire the goods and services and benefit from their use, either immediately or subsequently. The value of total final consumption is the same, however, whichever basis is used.

Final Consumption Expenditure

8.38 In the System, final consumption expenditure is incurred only by general government, NPISHs and households. All of households' consumption expenditure is incurred on their own behalf. Consumption expenditure by general government, on the other hand, is either for the benefit of the community at large (collective consumption) or for the benefit of individual households. By convention, all consumption expenditure by NPISHs is treated as being for the benefit of individual households. This distinction between collective and individual consumption expenditure is of considerable importance in the System and is discussed in detail in chapter IX. Consumption expenditures by general government and NPISHs on behalf of households (their individual consumption expenditures) are undertaken for the purpose of making social transfers in kind. They cover the non-market output of both general government and NPISHs delivered to households free, or at prices that are not economically significant, as well as goods and services bought from market producers and provided to households free or at prices that are not economically significant. Social transfers in kind are recorded differently from other transfers in kind.
(a) Household final consumption expenditure: This consists of the expenditure, including imputed expenditure, incurred by resident households on individual consumption goods and services, including those sold at prices that are not economically significant;

(b) Final consumption expenditure of NPISHs: This consists of the expenditure, including imputed expenditure, incurred by resident NPISHs on individual consumption goods and services;

(c) Government final consumption expenditure: This consists of expenditure, including imputed expenditure, incurred by general government on both individual consumption goods and services and collective consumption services. This expenditure may be divided into:

(i) Government expenditure on individual consumption goods and services;

(ii) Government expenditure on collective consumption services.

**Household final consumption expenditure**

9.45. Household final consumption expenditure consists of expenditure incurred by resident households on consumption goods or services. Final consumption expenditure excludes expenditure on fixed assets in the form of dwellings or on valuables. Dwellings are goods used by their owners to produce housing services. Expenditure on dwellings by households, therefore, constitutes gross fixed capital formation. When dwellings are rented by their owners, rentals are recorded as output of housing services by owners and final consumption expenditure by tenants. When dwellings are occupied by their owners, the imputed value of the housing services enters into both the output and final consumption expenditure of the owners. Valuables are expensive durable goods that do not deteriorate over time, are not used up in consumption or production, and are acquired primarily as stores of value. They consist mainly of works of art, precious stones and metals and jewellery fashioned out of such stones and metals. Valuables are held in the expectation that their prices, relative to those of other goods and services, will tend to increase over time, or at least not decline. Although the owners of valuables may derive satisfaction from possessing them, they are not used up in the way that household consumption goods, including consumer durables, are used up over time.

**Dwellings on own account**

9.58 Persons who own the dwellings in which they live are treated as owning unincorporated enterprises that produce housing services that are consumed by the household to which the owner belongs. The housing services produced are deemed
to be equal in value to the rentals that would be paid on the market for accommodation of the same size, quality and type. The imputed values of the housing services are recorded as final consumption expenditures of the owners.

Final consumption expenditure vs. actual final consumption

9.21 The distinction between final consumption expenditure and actual final consumption depends on the general distinction between expenditures on, and acquisitions of, goods and services, a distinction that applies to other types of activities, such as production and capital formation, as well as consumption. The purpose of this section is to explain not only how expenditure differs from acquisition but also how both of them differ from the actual or physical use of goods and services. The explanation concentrates on consumption, but is also relevant to other types of activities.

9.32 Goods and services are acquired by institutional units when they become the new owners of the goods or when the delivery of services to them is completed. The value of the goods or services acquired by an institutional unit or sector consists of the value the goods or services acquired through its expenditure plus the value of goods or services received through transfers in kind less the value of goods or services transferred to other units. Transfers in kind made to other units are recorded as negative acquisitions. This statement needs to be qualified to the extent that several categories of current transfers -- i.e., current transfers within general government, current international cooperation, and miscellaneous current transfers -- may include some transfers in kind. These transfers in kind are treated as if they were transfers in cash. Accordingly, the values of the goods or services received are actually recorded as expenditures by the institutional units or sectors that acquire them.

9.33 As described above, acquisition can refer to goods and services of any kind. Producers may, for example, acquire structures and machinery and equipment by their own expenditure (including imputed expenditure for own-account capital formation) and by capital transfers in kind. The System gives special recognition to the importance of acquisition for purposes of final consumption; it defines the total value of goods and services acquired for purposes of final consumption as actual consumption.

9.34 The times at which goods and services are acquired are when the change of ownership occurs or the delivery of the services is completed. Acquisitions are valued at the prices paid by the units that incur the expenditures.
**Government expenditures**

6.173 Collective services provided by government units are not included in the intermediate consumption of enterprises, even though enterprises benefit from the provision of transport facilities, security, etc. It would be impossible to identify those collective services that benefit enterprises rather than households and to allocate such services between individual enterprises. Some individual non-market goods or services may also be provided to market producers, such as free veterinary services to farmers. By convention they are not included in their intermediate consumption and they are not separated from collective services.

**The borderline between individual and collective services**

9.86 Expenditures incurred by governments at a national level in connection with individual services such as health and education are to be treated as collective when they are concerned with the formulation and administration of government policy, the setting and enforcement of public standards, the regulation, licensing or supervision of producers, etc. For example, the expenditures incurred by Ministries of Health or Education at a national level are to be included in collective consumption expenditures as they are concerned with general matters of policy, standards and regulation. On the other hand, any overhead expenses connected with the administration or functioning of a group of hospitals, schools, colleges or similar institutions are to be included in individual expenditures. For example, if a group of private hospitals has a central unit which provides certain common services such as purchasing, laboratories, ambulances, or other facilities, the costs of these common services would be taken into account in the prices charged to patients. The same principle must be followed when the hospitals are non-market producers: all the costs which are associated with the provision of services to particular individuals, including those of any central units providing common services, should be included in the value of expenditures on individual services.

9.88 Many government expenditures benefit enterprises as much as households; expenditures on the cleaning, maintenance and repair of public roads, bridges, tunnels, etc. including the provision of street lighting are examples. These are individual services whose consumption can be monitored and for this reason they are frequently provided on a market basis by charging tolls on road usage. However, it would be difficult to separate the services provided free to households from those provided free to enterprises and, by convention, all these expenditures are treated as collective final expenditure.

9.89 Enterprises also benefit from a number of genuinely collective services such as the research and development undertaken by non-market producers, the provision of security by the police, fire services, etc. The usage of such collective services by individual enterprises cannot be recorded, so that expenditures on such services have to be treated as government final expenditure.
The classification of individual and collective government expenditures

9.87 The classification of the functions of government is a classification of transactions designed to apply to general government and its sub-sectors. This classification, which is described briefly in chapter XVIII, is used to help distinguish between expenditure by government on individual services and collective services. By convention, all government final consumption expenditures under each of the following headings should be treated as expenditures on individual services except for expenditures on general administration, regulation, research, etc.:

- 04 Education
- 05 Health
- 06 Social Security and Welfare
- 08.01 Sport and recreation
- 08.02 Culture.

In addition, expenditures under the following sub-headings should also be treated as individual when they are important:

- 07.11 part of the provision of housing
- 07.31 part of the collection of household refuse
- 12.12 part of the operation of transport system.

Transfers in kind

3.40 Transfers in kind also are two-party transactions, but—in contrast to those just mentioned—one party provides a good, service or asset other than cash to the other without receiving a counterpart in return. Parallel to transfers in cash, these are called sometimes "something for nothing" transactions or transactions without a quid pro quo.

3.41 The System records a variety of transfers in kind, including government international cooperation, gifts, charitable contributions and social transfers in kind. The last consist of social security and social assistance benefits in kind together with goods and services provided to individual households outside any social insurance scheme by non-market producers owned by government units or non-profit institutions (NPIs). Government international cooperation, gifts, and
Charitable contributions are often made in kind for convenience, efficiency, or tax purposes. For example, international aid after a natural disaster may be more effective and delivered faster if made directly in the form of medicine, food, and shelter instead of money. Charitable contributions in kind sometimes avoid taxes that would be due if the item in question were sold and the money given to the charity.

3.42 For various reasons, many social security and social assistance benefits are provided in kind rather than in cash. Rather than provide a specified amount of money to be used to purchase medical and educational services, the services are often provided in kind to make sure that the need for the services is met. Sometimes the recipient purchases the service and is reimbursed by the insurance or assistance scheme. Such a transaction is still treated as being in kind because the recipient is merely acting as the agent of the insurance scheme. Social transfers in kind, other than social security or social assistance benefits, consist mostly of education, health, housing and other services provided to individual households by non-market producers owned by government units or NPIs.

3.43 Social transfers in kind involve two sets of transactions. The expenditures on the final consumption goods and services provided as social transfers in kind are recorded as being incurred by the government units (including social security schemes) or NPIs that incur the costs. These may be either monetary or non-monetary transactions depending upon whether the goods or services are purchased from market producers or produced by non-market producers owned by the government units or NPIs. The social transfers in kind, as such, are then recorded as a set of non-monetary transactions between the government units or the NPIs and the households who actually consume the goods or services, the goods and services being valued by the expenditures already incurred on them. The value of these goods and services is then added to the final consumption expenditures of households to obtain their actual consumption.

**Other social security benefits in kind (D.6312)**

8.103 These consist of social transfers in kind, except reimbursements, made by social security funds to households. Most are likely to consist of medical or dental treatments, surgery, hospital accommodation, spectacles or contact lenses, medical appliances or equipment, and similar goods or services associated with the provision of health care. The services may be provided by market or non-market producers and should be valued accordingly. In both cases any nominal payments made by the householders themselves should be deducted. The transfers should be recorded at the times the goods are transferred or services provided.
Social assistance benefits in kind

8.104. These consist of transfers in kind provided to households by government units or NPISHs that are similar in nature to social security benefits in kind but are not provided in the context of a social insurance scheme. Like social assistance benefits in cash, they tend to be provided under the following circumstances: (a) No social insurance scheme exists to cover the circumstances in question; (b) Although a social insurance scheme, or schemes, may exist, the households in question do not participate and are not eligible for its social benefits; (c) Social insurance benefits are deemed to be inadequate to cover the needs in question, the social assistance benefits being paid in addition.

Current transfers to NPISHs

8.94 Most current transfers to NPISHs consist of cash transfers received from other resident or non-resident institutional units in the form of membership dues, subscriptions, voluntary donations, etc. whether made on a regular or occasional basis. Such transfers are intended to cover the costs of the non-market production of NPISHs or to provide the funds out of which current transfers may be made to resident or non-resident households in the form of social assistance benefits. This heading also covers transfers in kind in the form of gifts of food, clothing, blankets, medicines, etc. to charities for distribution to resident or non-resident households. However, payments of membership dues or subscriptions to market NPIs serving businesses, such as chambers of commerce or trade associations, are treated as payments for services rendered and are therefore not transfers (see chapter VI, paragraph 6.59).

Current transfers between households

8.95 These consist of all current transfers in cash or in kind made, or received, by resident households to or from other resident or non-resident households. They include regular remittances between members of the same family resident in different parts of the same country or in different countries, usually from a member of a family working in a foreign country for a period of a year or longer. Earnings remitted by seasonal workers to their families are not international transfers as the workers remain resident in their country of origin, i.e., members of their original households, when they work abroad for short periods of less than a year.

Remuneration in kind

3.38 Remuneration in kind occurs when an employee accepts payment in the form of goods and services instead of money. This practice is extensive in most economies for reasons ranging from the desire of employers to find captive markets for part of their output, to tax avoidance or evasion. There are various forms, and the following list includes some of the most common types of goods and services provided without charge, or at reduced prices, by employers to their employees:
Meals and drinks

Housing services or accommodation of a type that can be used by all members of the household to which the employee belongs

The services of vehicles provided for the personal use of employees

Goods and services produced as outputs from the employer's own processes of production, such as free coal for miners.

Also, some employees may be willing, or obliged, to accept part of their compensation in the form of financial or other assets.

**Expenditures on goods and services received as income in kind**

9.50 Income in kind received by employees is measured by the value of the goods and services provided by employers to their employees in remuneration for work done. This income is simultaneously spent by the employees on the goods and services in question. Thus, the values of the goods and services must be recorded as final consumption expenditure incurred by households as well as income in kind.

9.51 A distinction has to be made between goods or services provided to employees as remuneration in kind and goods or services provided because they are needed at work, the latter constituting intermediate consumption by the enterprise. In principle, the distinction is clear. Goods or services that employers are obliged to provide to their employees to enable them to carry out their work, such as tools, equipment, special clothing, etc., constitute intermediate consumption. On the other hand, goods or services that employees are able to use in their own time for the direct satisfaction of their needs or wants, or those of their families, constitute remuneration in kind. In practice, there are inevitably borderline cases, such as uniforms that must be worn at work but are also worn extensively by employees away from work. A detailed listing of the kinds of goods and services that are included in remuneration in kind is given in the section on compensation of employees in chapter VII.

**Wages and salaries in kind**

7.37 Employers may remunerate their employees in kind for various reasons. For example:

(a) There may be tax advantages for the employer, the employee, or both by avoiding payments in cash;
(b) The employer may wish to dispose of outputs which are periodically in excess supply;

(c) The nature of the work may require frequent, or prolonged, absence from home so that the employee has to be provided with accommodation, travel, etc.

7.38 Income in kind may bring less satisfaction than income in cash because employees are not free to choose how to spend it. Some of the goods or services provided to employees may be of a type or quality which the employee would not normally buy. Nevertheless, they must be valued consistently with other goods and services. When the goods or services have been purchased by the employer, they should be valued at purchasers' prices. When produced by the employer, they should be valued at producers' prices. When provided free, the value of the wages and salaries in kind is given by the full value of the goods and services in question. When provided at reduced prices, the value of the wages and salaries in kind is given by the difference between the full value of the goods and services and the amount paid by the employees.

7.39 Goods or services that employers are obliged to provide to their employees in order for them to be able to carry out their work are treated as intermediate consumption by the employer: for example, special protective clothing. A list of such items is given in paragraph 6.155 of chapter VI. Remuneration in kind, on the other hand, consists of goods and services that are not necessary for work and can be used by employees in their own time, and at their own discretion, for the satisfaction of their own needs or wants or those of other members of their households.

7.40 Almost any kind of consumption good or service may be provided as remuneration in kind. The following includes some of the most common types of goods and services provided without charge, or at reduced prices, by employers to their employees:

(a) Meals and drinks, including those consumed when travelling on business;

(b) Housing services or accommodation of a type that can be used by all members of the household to which the employee belongs;

(c) Uniforms or other forms of special clothing which employees choose to wear frequently outside of the workplace as well as at work;

(d) The services of vehicles or other durables provided for the personal use of employees;
(e) Goods and services produced as outputs from the employer's own processes of production, such as free travel for the employees of railways or airlines, or free coal for miners;

(f) Sports, recreation or holiday facilities for employees and their families;

(g) Transportation to and from work, car parking;

(h) Creches for the children of employees.

7.41 Some of the services provided by employers, such as transportation to and from work, car parking and creches have some of the characteristics of intermediate consumption. However, employers are obliged to provide these facilities to attract and retain labour, and not because of the nature of the production process or the physical conditions under which employees have to work. On balance, they are more like other forms of compensation of employees than intermediate consumption. Many workers have to pay for transportation to and from work, car parking and creches out of their own incomes, the relevant expenditures being recorded as final consumption expenditures.

The boundary between intermediate consumption and compensation of employees

6.153 Certain goods and services used by enterprises do not enter directly into the process of production itself but are consumed by employees working on that process. In such cases it is necessary to decide whether the goods and services are intermediate consumption or, alternatively, remuneration in kind to employees. In general, when the goods or services are used by employees in their own time and at their own discretion for the direct satisfaction of their needs or wants, they constitute remuneration in kind. However, when employees are obliged to use the goods or services in order to enable them to carry out their work, they constitute intermediate consumption.

6.154 It is immaterial to the employer whether they are treated as intermediate consumption or compensation of employees--they are both costs from the employer's viewpoint--and the net operating surplus is the same. However, reclassifying such goods and services from remuneration in kind to intermediate consumption, or vice versa, changes value added and balance of primary incomes, and hence GDP as a whole.

6.155 The following types of goods and services provided to employees must be treated as part of intermediate consumption:
(a) Tools or equipment used exclusively, or mainly, at work;

(b) Clothing or footwear of a kind which ordinary consumers do not choose to purchase or wear and which are worn exclusively, or mainly, at work; e.g., protective clothing, overalls or uniforms. However, uniforms or other special clothing which employees choose to wear extensively off-duty instead of ordinary clothing should be treated as remuneration in kind;

(c) Accommodation services at the place of work of a kind which cannot be used by the households to which the employees belong -- barracks, cabins, dormitories, huts, etc.;

(d) Special meals or drinks necessitated by exceptional working conditions, or meals or drinks provided to servicemen or others while on active duty;

(e) Transportation and hotel services provided while the employee is travelling on business;

(f) Changing facilities, washrooms, showers, baths, etc. necessitated by the nature of the work;

(g) First aid facilities, medical examinations or other health checks required because of the nature of the work.

Employees may sometimes be responsible for purchasing the kinds of goods or services listed above and be subsequently reimbursed in cash by the employer. Such cash reimbursements must be treated as intermediate expenditures by the employer and not as part of the employee's wages and salaries.

6.156 The provision of other kinds of goods and services, such as meals, ordinary housing services, the services of vehicles or other durable consumer goods used extensively away from work, transportation to and from work, etc. should be treated as remuneration in kind, as explained more fully in chapter VII.
Annex 9

TOURISM SATELLITE ACCOUNTS
A GLOBAL CONCEPTUAL FRAMEWORK

ADDENDUM

PROBLEMS RELATED TO THE MEASUREMENT OF TOURISM CONSUMPTION

By:
Mrs Marion Libreros
WTO’s Consultant
Author of WTO’s:
“A satellite account for tourism”
A global conceptual framework
PROBLEMS RELATED TO THE MEASUREMENT OF TOURISM CONSUMPTION

The elaboration of a proposition of a Satellite Account as a framework, into which to present the economic data referring to Tourism, in a consistent way with National Accounts, leads to the discussion of a certain number of issues, which I now see clearer with the elaboration of the technical Manuals by WTO.

It is important to understand what is tourism: it is not properly a purpose per se, but a situation which occurs in order for an individual to be able to meet a purpose, which is the purpose of the trip. In order to visit a place, you have to be there. If it is your usual environment, you have to take a trip in order to get there; if you want to practice skiing, if your usual environment is not a proper ski field, you have to displace yourself to the place where you shall find it. If you are going to attend a meeting or a seminar, you have to displace yourself to the place where this event is going to take place … In all these cases, the main purpose is not to take a trip, but the trip is only a consequence which results from the main purpose.

From this description, it is clear that “tourism” is going to be somewhat awkward, because it is always mixed up with a main purpose, and it will not always be easy to make a distinction between the expenses induced by the trip, and those induced by the purpose of the trip.

Then comes the question: what is tourism expenditure. Tourism expenditure is defined as “the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination”.

When we are considering the expenditures associated with the trip, it is necessary to differentiate if possible between the expenditures required by the purpose to be fulfilled, and those implicated by the trip, although they might be strongly interrelated. This is particularly an issue when we refer to the “pre-trip” and “post-trip” expenses. To be considered within tourism consumption, in my view 1, these pre- or post-trip expenses should be made clearly for the trip itself, not for the purpose which is the reason of the trip: for instance, it is clear that it should include all the expenses on services made beforehand for the displacement itself: information on the place to be visited, reservations, passports and visas, travel insurance, inoculations … Regarding the goods to be included, there is no doubt that the luggage should be included. But what about the means of transportation that shall be used for the trip itself, the whole equipment required for camping, the clothes required by the trip, etc. This issue has to be discussed.

When on the trip, all the expenses made have to be included within the definition of tourism consumption, with the exception of those which seem to be related more to investment type goods: Thus an expenses that, made before the trip, would be excluded, when making the trip, is included: this can be justified for the displacement of the demand which the fact of purchasing the commodity during the trip generates. If for inbound tourism, it is clear that it is a net increase in demand for the economy,

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1 And this does not fully coincide with the view of the author of the “Collection of Tourism Expenditure Statistics”.
in the case of domestic tourism, in some cases, it might only be a displacement in space of this demand: a good analysis of tourism demand would help to locate the supply of the goods and services in the places where they will be demanded.

I see three main points to be discussed for their influence on the content of tourism consumption: Why we are interested in the measurement of tourism consumption in the first place, the notion of usual environment, and the issue of durables.

(a) I think it is necessary to discuss again why the measurement of tourism consumption is so important. It seems to me that the interest is to measure some sort of addition to the consumption that would have taken place had tourism not existed.

1. In the case of inbound tourism, this addition is very clear, and covers all transactions between the visitor (or on behalf of him) and resident producers of the compiling economy. Expenses made before or after the trip and which do not relate to services provided by resident producers during the trip must clearly be excluded.

2. In the case of outbound tourism, we seem to be interested in measuring two aspects: first of all the increase in consumption within the national economy, because, although the trip is going to take the visitor outside the national economy, there are some goods and services provided by resident producers which are associated to the trip, and generate an internal demand: the goods necessary for the trip, the services of travel agents, perhaps, part of the transportation service provided by resident carriers, etc.: there are some problems to be discussed, regarding what of the increase in demand refers to the trip itself, and what refers to the purpose of the trip; secondly, the demand for goods and services from non-resident providers is also of interest, as an indication of how much of demand has been “lost” for the national economy from this outbound trip.

3. In the case of domestic tourism, the question is less clear, and the analysis must be a little more elaborated: The expenses directly related to the trip itself could be considered as a net increase of the national aggregate of demand: for instance, the demand for transportation services, and for accommodation. Others might be more complicated, as for instance food: in many cases, when on a trip, there is a preference for prepared food, restaurants, etc. as compared to cooking at home. But the differences are less clear. Regarding other types of consumption, it is even more difficult to make the part of what would have been consumed, even when not on the trip, and what consumption was induced by the fact of being on a trip. Neither the difference between what is induced by the trip itself, or by the purpose of the trip, is possible to do. As a consequence, the analysts have decided that all consumption expenditures made while on the trip is considered in first instance as tourism consumption. Then comes the discussion of some expenses, which, by their nature, should be excluded, because they seem to be of investment type.
4. Strictly speaking, and this should be left to an extension of the system, a fine measurement of tourism would also need to include, for the places from which the domestic visitors come, an estimation of the decrease in consumption which results from their departure: there is also an economic effect which, in time of vacation for instance, is very visible in the big cities of the developed world.

(b) The notion of usual environment has a direct influence on the content of tourism consumption. The question at stake is whether the second home of a household should or should not be considered within its usual environment, as in a conceptual sense, “the usual environment of a person refers to a certain area around his (main) dwelling plus all other places he frequently visits”.

If the second home is part of the usual environment, because it is frequently visited (but what does frequently means…) then all the expenses related to it are excluded from tourism, as well as the expenses on the travels between the main dwelling and this second dwelling.

If it is not part of the usual environment, then it seems that all expenses referring to the second home are tourism expenses, and the debate concerning their classification as tourism consumption has a sense: what is to be included in the category of tourism expenditure, as a final consumption concept, and what is more a capital type investment, for which a special classification could be devised, different from consumption expenditure and from fixed capital formation (which is a concept only to be associated to producing units).

It seems to me that the discussion of the expenses relative to second homes has to be given within this context, because I have the feeling that many arguments that are used against the inclusion of expenses related to second homes implicitly, if not explicitly, refer to the fact that the second home, if frequently visited, seems nothing different from usual, and seems to be part of the usual environment.

(c) Maybe the discussion on consumer durables is clearer now, after having some reflection about the objective of the measurement of tourism consumption. In my view, two types of consumer durables (taken in the sense of National Accounts, that is excluding dwellings, land and other non produced assets, and goods acquired not for the purpose of production or consumption, but to be held as stores of value over time) have to be considered: those which are used to be used for the trip itself, that is: the means of transportation or of accommodation, and all those which are acquired during the trip.

1. The means of transportation or of accommodation can be purchased before or during the trip. They usually will be used during the trip, and may be after. In the case of vehicles, but may be also for the means of accommodation (tents, camping equipment, camping car, caravans, …), they might also be used outside the context of any trip, within the usual environment. Should they be considered within tourism expenditure? If it is

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2 Concepts, definitions and classifications for tourism statistics – Appendix A.
so, should we try to make an intent to only assign part of its value to tourism, fraction which would be computed estimating how much of its use is for trips ....

2. Regarding the purchases during the trip, I do not see any reason to give a different treatment to these expenditures, as the treatment given to any other purchase during the trip, as we have already observed that, in the case of domestic tourism, much of it did not represent really a net increase in the consumption expenditure in the national economy but merely a displacement of this consumption in space. Places that are tourism destination know very well that they have to offer to their customers a lot of goods, durables and non durables, that they perfectly could have purchased before their trip in their usual environment, but they did not.

Reviewing now the definition that has been given by WTO for tourism consumption in the technical manuals, many considerations have been mixed up: some of them stem from a theoretical analysis, with sometimes a limited or distorted view of how to insure consistency, others take into account practical considerations, that is, how such expenses are concretely measured, and the use given to the results.

In order to clarify the ideas around the measurements of Tourism, it is important to analyse the content of the actual definition which was agreed upon, discuss it, and then propose, if necessary, some other types of definitions, or at least, in the actual stage, some elements of reflection.

A. Presentation and discussion of the scope of the variable, as presented within the Technical Manual “Collection of Tourism Expenditure Statistics” issued by the World Tourism Organization in 1995

SUMMARY CONTENT OF EXPENDITURE

<table>
<thead>
<tr>
<th>Expenditure items</th>
<th>DOMESTIC TOURISM</th>
<th>INBOUND TOURISM</th>
<th>OUTBOUND TOURISM</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Pre-trip expenditures</td>
<td>Exclude</td>
<td>Exclude</td>
<td>Exclude</td>
</tr>
<tr>
<td>1.1. Important acquisitions, such as cars, caravans, boats, second homes, even though they may be used in the future for tourist travel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2. Small durable items or consumables which are purchased or hired for this trip (even if mostly used after trip, e.g. luggage, leisure/recreation goods)</td>
<td>Include</td>
<td>Exclude</td>
<td>Exclude</td>
</tr>
<tr>
<td>1.3. Services which will be used entirely on the trip, e.g. transport, package tours, accommodation, travel insurance</td>
<td>Include</td>
<td>Include only services received inside the reference country and international transportation</td>
<td>Include only services received outside the reference country and international transportation</td>
</tr>
<tr>
<td>Expenditure items</td>
<td>DOMESTIC TOURISM</td>
<td>INBOUND TOURISM</td>
<td>OUTBOUND TOURISM</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>1.4. Services obtained prior to the trip which are directly related to the trip, e.g. motor vehicle servicing.</td>
<td>Include</td>
<td>Exclude</td>
<td>Exclude</td>
</tr>
<tr>
<td>1. On-trip expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1. Purchases for commercial purposes, such as for resale, investment or other business use, made by any category of visitor and purchases made on behalf of their employers by visitors on business trips</td>
<td>Exclude</td>
<td>Exclude</td>
<td>Exclude</td>
</tr>
<tr>
<td>2.2. Cash given to relatives or friends during a holiday trip which does not represent payment of tourism goods or service, as well as donations made to institutions</td>
<td>Exclude</td>
<td>Exclude</td>
<td>Exclude</td>
</tr>
<tr>
<td>2.3. Capital type investments or purchases engaged by visitors, such as land, housing, real estate, and other important acquisitions, such as cars, caravans, boats, second homes, even though they may be used in the future for tourist travel purposes</td>
<td>Exclude</td>
<td>Exclude</td>
<td>Exclude</td>
</tr>
<tr>
<td>2.3.1. Where the product is purchased during the trip specifically for use on the trip and is sold during the trip (e.g. a vehicle used for touring at the destination), the net cost should be included, i.e. the purchase cost plus the running costs minus the sale price.</td>
<td>Include</td>
<td>Include</td>
<td>Include</td>
</tr>
<tr>
<td>2.4. Expenditure on everyday purchases made on a trip outside the usual environment whose purpose is to avail of lower prices for such goods, e.g., cross-border shopping trips.</td>
<td>Include</td>
<td>Include</td>
<td>Include</td>
</tr>
<tr>
<td>2.5. Other major expenditure items, such as major car repairs.</td>
<td>Include</td>
<td>Include</td>
<td>Include</td>
</tr>
<tr>
<td>2.6. Small durable items or consumables, irrespective of whether used on tourist travel or at home.</td>
<td>Include</td>
<td>Include</td>
<td>Include</td>
</tr>
<tr>
<td>2.7. Items, such as ornamental/decorative items, which are primarily mementos of the trip, e.g. souvenirs irrespective of cost.</td>
<td>Include</td>
<td>Include</td>
<td>Include</td>
</tr>
<tr>
<td>2.8. Services acquired on the trip, e.g. transport and accommodation</td>
<td>Include</td>
<td>Include</td>
<td>Include</td>
</tr>
</tbody>
</table>
### Expenditure items

<table>
<thead>
<tr>
<th>Expenditure items</th>
<th>DOMESTIC TOURISM</th>
<th>INBOUND TOURISM</th>
<th>OUTBOUND TOURISM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.9. Any other purchases of goods/services received at any destination irrespective of cost or use, including duty-free purchases but excluding business or investment purchases</td>
<td>Include only out-of-pocket type expenditures</td>
<td>Include only purchases in reference country, and out of pocket type expenditures. Duty free purchases by travellers in transit are not included.</td>
<td>Include only out of pocket type expenditure</td>
</tr>
</tbody>
</table>

3. **Post-trip expenditures**

3.1. Goods/services obtained after the trip which are directly related to the trip, e.g. photographic processing, repairs to motor vehicles damaged during the trip, but excluding important acquisitions and capital type investments.

<table>
<thead>
<tr>
<th>Expenditure items</th>
<th>Include</th>
<th>Exclude</th>
<th>Exclude</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note:</strong> This table is only a slightly different presentation of table 1.2. of the Manual.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Concerning domestic tourism, tourism expenditure should meet the same condition as household final consumption expenditure: as a consequence, are excluded from this measurement:

   - the purchase of land;
   - the acquisition of second homes (conditions 1.1. and 2.3.), and associated expenses, considered, in National Account as a fixed capital formation by a national unincorporated enterprise, owner of the dwelling, which would “lease” it to its legal owner;
   - Purchase for commercial purposes, such as for resale, investment, or other business use (condition 2.1.);  
   - Cash given to relatives or friends … as well as donations (condition 2.2).

2. Concerning international tourism, tourism expenditure as presented in this table should only include expenditure that are transactions between residents and non-residents in order to fit with the concepts of Balance of Payments, and the definitions given in the “Recommendations on Tourism Statistics” for international tourism receipts and international tourism expenditure. As a consequence, all pre-trip and post-trip expenditures for international tourism are excluded when they do not enter the definition, that is, for outbound tourism, only services received outside the reference country and international transportation are included; while for inbound tourism, only services received inside the reference country and international transportation are included.

   For inbound tourism, the exclusion of all pre- and post-trip expenditures not referring to services received inside the reference country is clearly justified, as
they involve only transactions between non-residents of the reference economy, and are of no interest from this reference economy’s point of view.

For outbound tourism however, this exclusion seems only to be justified from a kind of symmetry point of view between outbound and inbound tourism, and to insure an apparent complete identify with the data included in the Balance of Payments. Nevertheless, this symmetry is not required by the consistency with other systems of information; neither the apparent complete identity with the data included in the Balance of Payments, as the latter has in any case more differences, that cannot be solved along this line: For instance, Balance of Payments take into account expenses of all residents abroad (excluding diplomatic personnel) and not only visitors; it also makes no exception regarding the type of consumption expenditure, that is, it also includes any investment type expenditure, as long as, in National Accounts, conceptually, it is part of the final consumption of households.

The exclusion of pre-trip expenditures of outbound tourism would exclude for instance the expenses related to the rights for the expedition of passports, the airport fees, which are clearly tourism oriented, or even the transportation services provided by a resident carrier. From the point of view of the analysis of resident visitors, there is no reason why to treat differently their expenses whether their final destination is abroad or within the national economy.

3. The exclusion of duty free purchases by travellers in transit is justified by the argument that these travellers are not considered within the movement of inbound travellers, as they do not cross the border check point.

There is another, more elegant way to solve the apparent inconsistency between economic data and other non monetary data concerning tourism, and it is to try, if possible, to separate the data on sales by in-bond shops between transit passengers and other, and show the data separately: this solution does not distort the economic data, as the sales to transit passenger are sales of non-residents, and, in Balance of Payments, are included under the heading “travel”.

4. Capital type investments or purchases engaged by visitors on important acquisitions, such as cars, caravans, boats, even though they may be used in the future for tourist travel purposes are excluded from tourism expenditure.

Nevertheless, when the product is purchased during the trip specifically for use on the trip and is sold during the trip (e.g., a vehicle used for touring at the destination), the net cost should be included, i.e., the purchase cost plus the running costs minus the sale price.

The rationale for this treatment are the following: “because of practical difficulties in deciding when such a purchase should be included; because of difficulties in apportioning an appropriate cost to the reference trip as opposed to future trips when the acquisition might be used; the distorting effect of their inclusion could have on calculation of average expenditures.”

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3 The collection of Tourism Expenditure Statistics, par. 60.
These are practical arguments, not fundamental ones. The first one is not clear; the second one exists also in other situations in National Accounts, and a theoretical solution has been found. The last one does not really hold, as it has been shown that the inclusion of these types of expenditure within household final expenditure has not brought any distortion on the structure of the variable.

The question here is to know what are these “capital type investments”: are they all capital type investments, which could be bought before or during a trip, or only those related to the trip itself: for instance, are we talking about the capital type goods necessary to practice a sport, such as ski, diving, surfing, sailing,… equipment, or only those necessary to the trip itself, that is the transportation and the accommodation equipment (camping and cooking)? It seems that, in the case of pre-trip expenditures, only those necessary for the trip itself should be considered, while all capital type investments should be under scrutiny, in the case of goods purchased during the trip.

Some particular problems should be addressed regarding the equipment of second homes, and their surroundings: this does not refer to the construction itself, which is accounted for as a capital asset, owned by a national unit, but to all the durable goods in order to decorate and equip it as a home, and the surrounding grounds: my feeling would be to exclude them altogether from tourism consumption, be they pre-trip or on the trip expenses; my suggestion would be to consider them within a different aggregate, nearer to the concept of capital goods than to that of consumption.

5. There seems to be some confusion regarding pre-trip expenditure, as it is recommended, for domestic tourism, to include small durable items or consumables that are purchased or hired for this trip (even if mostly used after this trip, e.g., luggage, leisure/recreation goods): in my view, these leisure/recreation goods should not be included, as they relate more to the purpose of the trip than to the fact of taking a trip.

6. The question of non-market services and non-marketed services is not clearly addressed in the document on the “Collection of Tourism Expenditure Statistics”. The document seems to say that “only “out-of-pocket” expenditure relating directly to the trip” should be included. In another part of the document, it is also argued that in the case of inbound tourism “all expenditures funded from within the destination area/country”, should be excluded on the ground that “they do not represent an additional injection of income into the destination economy by the visitor”. Nevertheless, in other part of the document, it is explained that “it is common practice for visitors to stay within friends or relatives in a destination area. In such cases accommodation, and possibly food, transport and some other facilities, are provided and paid for by the host.”

I do not think that the arguments used against the inclusion of transactions that do not flow through the market, resist the analysis: the source of the incomes used

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6 Op.cit. par. 74
for an expenditure are always unknown, and are irrelevant to the question here addressed: What we are interested in, from the point of view of the income, is the one which is “generated” by the demand as it is met by a supply: the activity through which the demand is met generates an income, which is the one we are interested in depicting.

In the case of goods and services purchased by a non visitor to benefit a visitor, these are clearly part of visitor consumption: the main problem consists in being able to value them, as the main source of information regarding tourism consumption are the reports by the visitors themselves.

In the case of services provided free of charge by a household to another (by a host to a visitor), economically speaking, and within the conceptual framework of National Accounts, there is the production of a service, provided by an institutional unit to another, which, in value, is compensated by a transfer from the provider to the consumer. Nevertheless, in the practice of National Accounts, these services are not measured: as a consequence, in the practice of the measurement of Tourism expenditure, they also shall be excluded.

Regarding the services provided by second homes to their owners or to guests (paying or not paying), we are in a different situation, because these services are measured in National Accounts, in the same way in which those provided by the main homes are measured. There is no conceptual nor practical reason to exclude such flow from the measurement of tourism expenditure, which allows more homogeneity in the comparisons of the expenses of visitors, whether they visit their own second homes, or a rented house. In the case of a second home owned in a country different from that of residence, this home is supposed to be owned by a national unit, resident of the country where this second home is situated, which rents the house to who ever visits it, including its legal owner. The estimation of the rent is usually based on those observed in similar dwellings that are rented.

The Manual of Collection of Tourism Expenditure Statistics seems to include the expenditure that are social benefits in kind by Government and Non Profit Institutions Serving Households, as it considers the possibility that trips might be government sponsored or funded by government bodies, charitable organizations or other institutions.

It does not mention the case of individual non-market services provided free of charge or at prices which are not economically significant: this is particularly the case of museums, public libraries, national parks, public universities, etc. No mention is made of how to value the service provided, if only by the entry fees, or including a valuation consistent with the valuation of the production of non-market services in National Accounts.

Finally, no mention is made of the collective non-market services provided by General Government, and which, in global terms, benefit the visitors: information campaigns, centers of information, legislation, specific financing, supervision and control of tourist areas, etc.
8. If we call $T_0$ the value of the consumption, measured according to this definition, the GDP generated by the activities providing these goods and services shall be defined also as $GDP_0$.

B. Extension of the concept of Tourism consumption: determination of $T_1$

It seems to me that it is necessary to review this definition of tourism consumption in which, necessarily, the following consideration should be taken into account:

- To put in line the treatment of outbound tourism with that of domestic tourism: the same pre-trip expenses should be included for outbound tourism and domestic tourism;

- To include the full value of individual non-market services provided by General Government and Non Profit Institutions Serving Households, and not only the amount of the fees paid by the visitors: These services should be valued according to the principles of valuation for this type of services presented in the System of National Accounts;

- To review the content of pre-trip expenditures in order to include exclusively those related to the trip itself, and not those related to the purpose of the trip.

A further extension would require:

- An agreement on the extent of the “usual environment”, which would include, in certain circumstances (to be defined), second homes; then the issue of the imputation of rent for owner-occupied dwellings would be relevant;

- An agreement on the issue of investment-type consumption of consumer durables, particularly concerning the means of transportation and accommodation purchased before a trip.

These are the issues on which I would need the opinion of the expert group before going forward on the proposal for a Satellite Account.
Annex 10

Household consumption in SNA
and its relationship to tourism consumption
in the TSA- Methodological References

1. This note, is meant to justify, using SNA93 as a basis, the definition and boundary that has been given to tourism consumption, particularly the definition of consumption as an activity and the status of transactions in kind which are one of the components of tourism consumption.

1. Clarification on the meaning of the activity of consumption

2. The term “consumption” is widely used in SNA93 and it is necessary to define precisely what it refers to, as there is a certain ambiguity around its use.

3. This ambiguity resides in SNA93 itself, which gives two different definitions of consumption as an “activity” which are not identical because they have very different boundaries:

4. In a first definition (SNA93 ¶ 1.49) consumption is defined generally as “an activity in which institutional units use up goods and services”. This activity is further described as referring to two different kinds of consumption: “intermediate consumption, which consist of inputs into processes of production that are used up within the accounting period” and “final consumption which consists of goods and services used by individual households or the community to satisfy their individual or collective needs or wants”.

5. In a second definition (SNA93 ¶ 9.40), the activity of consumption is said to “consist of the use of goods and services for the satisfaction of individual or collective human needs or wants.. In order to measure consumption as an activity, it would be necessary to adopt accounting procedures similar to those used in a production account, where a clear distinction is drawn between purchases of goods to be used in production and their subsequent use as inputs”.

6. In an exegesis of the text of SNA93, it appears that chapter 1 is an introductory chapter, where the definitions are loosely given, and is to be understood more as a plain language introduction to SNA where the general description prevails over the strict definitional issues, whereas the following chapters are more concept oriented: This is so much so that applying the “word searching process” for the definition of consumption in SNA93, we obtain the second restricted definition o (SNA93 ¶ 9.40) and not the global definition (SNA93 ¶ 1.49).

1 Note prepared in 1998.
7. This ambiguity results from the difficulty in defining what is an economic activity: it is an confusing term, which refers to different kinds of entities and situations: it is initially determined as a combination of deeds and actions, but sometimes it is identified with the individual deeds themselves, or to “economic productive activity”, as it is the case when discussing the classification of productive units.

8. We can consider that in the first definition of consumption, (SNA93 ¶1.49), what is the object of classification are types of transaction, and consumption defined as “the using up of goods and services by an institutional unit” can be considered as a type of transaction, classification which can be applied to suit final consumption, intermediate consumption and consumption of fixed capital.

9. But intermediate consumption as well as consumption of fixed capital cannot occur per se, but must be integrated and part of a production process, which is the “economic activity” undertaken by the institutional unit incurring in those types of consumption.

10. On the contrary, households, non profit institutions serving households and general government, when incurring into final consumption expenditure are not engaged into a production activity but into a consumption activity, that is, directly through these transactions, they are “satisfying individual or collective needs or wants”. National accounts do not describe the process of “production” of satisfaction through this consumption as this is outside the boundary of production as defined in this conceptual framework, while in the case of intermediate consumption, the production process itself is described, as other goods and services available to other institutional units are brought into existence.

11. It is in that same meaning that TSA refers to tourism consumption, which is a general way of talking of the consumption activity of visitors within predefined circumstances. Visitors are individuals, part of resident or non resident households, and who, as such, have individual needs or wants which they try to satisfy through consumption of goods and services, which in this case, is not different from the acquisition process itself: It is that process of acquisition of goods and services for this precise purpose that the TSA intends to measure.

2. Tables in SNA93

12. The tables for households showing the full sequence of accounts for the different institutional sectors in the SNA illustrate the contents of the concepts of household consumption expenditure and household actual consumption used in SNA, and on which the concept of tourism consumption is based.

13. In annex 1, an abstract of this sequence of accounts is shown, for households, (tables numbered A.V.6 in SNA93). This abstract is limited to the production account (category I.) and the distribution and use of income accounts (category II.).

14. Are excluded for their lack of relevance when the analysis of consumption is concerned those accounts which follow in the sequence: Accumulation accounts, and balance sheets.
15. These tables of the abstract are organized as follows:

- The **production account** leads to the measurement of the income generated by the productive activities undertaken within households as producing units once intermediate consumption, that is the use of goods and services within this production process, has been taken care of: this income is the **value added**, which is measured, either on a gross basis (variable B.1g), or on a net basis (variable B.1n).

- The **distribution and use of income accounts** is made of a sequence of accounts, some of which are also subdivided. This sequence can take different forms according to the option taken regarding the aggregate characterizing disposable income, which can be adjusted or not for social transfers in kind. In both cases, the final balancing value is the same: **Saving**. These sequences can be schematized as follows in table 1, where the accounts are classified according to the concept of disposable income which is used. This table provides some guidance for the understanding of the general table presented in SNA93, showing which accounts are relevant when (unadjusted) disposable income is used, and which others when the concept of adjusted disposable income is favored.

### Table 1

**Distribution and use of income accounts for households**

**Sequence of accounts**

<table>
<thead>
<tr>
<th>Using the concept of (unadjusted) disposable income</th>
<th>Using the concept of adjusted disposable income</th>
</tr>
</thead>
<tbody>
<tr>
<td>II.1. Generation of income account</td>
<td>II.1. Generation of income account</td>
</tr>
<tr>
<td>II.1.1 Generation of income account</td>
<td>II.1.1 Generation of income account</td>
</tr>
<tr>
<td>II.1.2 Allocation of primary income account</td>
<td>II.1.2 Allocation of primary income account</td>
</tr>
<tr>
<td>II.1.2.1 Entrepreneurial income account</td>
<td>II.1.2.1 Entrepreneurial income account</td>
</tr>
<tr>
<td>II.1.2.2 Allocation of other primary income account</td>
<td>II.1.2.2 Allocation of other primary income account</td>
</tr>
<tr>
<td>II.2. Secondary distribution of income account</td>
<td>II.2. Secondary distribution of income account</td>
</tr>
<tr>
<td>II.3 RedISTRIBUTION of income in kind account</td>
<td></td>
</tr>
<tr>
<td>II.4 Use of income account</td>
<td>II.4 Use of income account</td>
</tr>
<tr>
<td>II.4.1 Use of disposable income account</td>
<td>II.4.2 Use of adjusted disposable income account</td>
</tr>
</tbody>
</table>
3. Relationship between household final consumption expenditure and household actual final consumption

16. The fact that, in the end, both sequences of income lead to the same, unique value for saving shows that the adjustments made in the uses side and in the resources side are identical in value.

17. In the resources side, account II.3 (the content of which appears in the annex) shows the relationship existing between (unadjusted) disposable income and adjusted disposable income: the only difference is due to the amount of social transfers in kind, under its different forms: social benefits in kind and transfers of individual non-market goods and services.

18. As a consequence, in the uses side, the only difference existing between final consumption expenditure (the use of the disposable income account) and actual final consumption (the use of the adjusted disposable income account) is the value of the goods and services received as social transfers in kind by households.

19. This corresponds to the definition given in (SNA93 ¶9.72) where household actual final consumption is determined as ..”the consumption goods and services acquired by individual households by expenditures or through social transfers in kind received from government units of non-profit institutions serving households.”

4. Content of the concept of household final consumption expenditure

20. It is necessary now to clarify which are those consumption goods and services acquired by individual households by expenditures, the value of which is called “household final consumption expenditure”.

21. If there is no doubt that this concept includes all purchase of consumption goods and services made by an individual out of his/her own resources for use within the household to which he/she belongs, a careful analysis of the sequence of accounts that have been presented in the Annex 1 to this document makes clear once and for all that all acquisition of consumption goods and services provided to households as income in kind different from social transfers in kind is part of household final consumption expenditure: these values appear as resources in the sequence of accounts, and necessarily, these values also appear as an use in the final reconciliation and the establishment of the value of the aggregate value of saving.

22. If in the main body of the sequence of accounts as presented in the publication of SNA, this is not absolutely explicit, this is made perfectly clear in the recommendations on supplementary classifications of transactions and other flows, presented in Annex V part E of SNA93, the relevant part of which is reproduced below, which gives the following components for household final consumption expenditure:
23. This is exactly what is transposed in figure II.2 of TSA- *Methodological References*, which, for the sake of the present discussion, is reproduced in Annex 2 of the present document, with the following equivalence:

![Household final consumption expenditure](image)

<table>
<thead>
<tr>
<th>In SNA93</th>
<th>TSA - Figure II.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of consumption goods and services</td>
<td>Visitor final consumption expenditure in cash</td>
</tr>
<tr>
<td>minus                      Sales of existing goods and services</td>
<td></td>
</tr>
<tr>
<td>plus                       Bartered consumption goods and services (net)</td>
<td></td>
</tr>
<tr>
<td>plus                       Own final consumption in subsistence economy</td>
<td></td>
</tr>
<tr>
<td>services of owner-occupied dwellings</td>
<td></td>
</tr>
<tr>
<td>domestic services produced by employing paid</td>
<td></td>
</tr>
<tr>
<td>domestic servants</td>
<td></td>
</tr>
<tr>
<td>other</td>
<td></td>
</tr>
<tr>
<td>plus                       Compensation of employees in kind</td>
<td></td>
</tr>
<tr>
<td>plus                       Transfers in kind (other than from government or non-profit institutions)</td>
<td></td>
</tr>
<tr>
<td>plus                       Insurance services</td>
<td></td>
</tr>
<tr>
<td>plus                       Pension fund services</td>
<td></td>
</tr>
<tr>
<td>plus                       Financial intermediation services indirectly measured</td>
<td></td>
</tr>
<tr>
<td>Bartered consumption goods and services (net)</td>
<td>Visitor barter transactions</td>
</tr>
<tr>
<td>Own final consumption in subsistence economy</td>
<td>Visitor production for own final use</td>
</tr>
<tr>
<td>services of owner-occupied dwellings</td>
<td></td>
</tr>
<tr>
<td>domestic services produced by employing paid</td>
<td></td>
</tr>
<tr>
<td>domestic servants</td>
<td></td>
</tr>
<tr>
<td>other</td>
<td></td>
</tr>
<tr>
<td>Compensation of employees in kind</td>
<td>Counterpart of income in kind</td>
</tr>
<tr>
<td>Transfers in kind (other than from government or non-profit institutions)</td>
<td></td>
</tr>
</tbody>
</table>

24. The adjustments to purchases of consumption goods and services for insurance services, pension fund services and financial intermediation services indirectly measured presented in SNA93 as additions are not really adjustments, but precisions on measurements that are made, because their inclusion supposes the processing of information outside the framework of the analysis of households and
has not always been explicit\textsuperscript{2}. As a consequence, it has to be admitted that they are included within the concept called “consumption expenditure from own cash resources” of the TSA, even when they are not shown explicitly.

25. Thus, the content of household final consumption expenditure, basis for the concept of visitor final consumption expenditure, as is described in the TSA is in perfect consistence with the SNA concept.

5. From household final consumption expenditure to Tourism consumption

26. The concept of visitor final consumption expenditure used in the TSA derives thus directly from that of household final consumption expenditure.

27. A step further has to be given: in a way similar to that of \textit{SNA93} in which the concept of household final consumption expenditure is extended to that of household actual final consumption, adding to those goods and services acquired through purchases or transfers in kind to households those acquired on their behalf and for their direct benefit by general government and non profit institutions serving households, TSA adds to all final consumption expenditure by a visitor (be him/her a resident or a non resident) all those made on his/her behalf by any third party: nevertheless, in this consideration, TSA has a more extensive notion of what an expenditure on behalf of an individual is than SNA does, as it also includes all expenditure, classified in national Accounts as intermediate consumption of producing units, and made on behalf of an employee or a guest for or during their trip or stay at destination, what we call business tourism expenses.

28. If \textit{SNA93} cannot go that far in assigning to households the benefit of some expenditures that, from a consumption point of view, benefit both the business and the individual, it is because it is bound by restrictions of overall consistency of the system in the analysis of all transactions and transactors, where an adequate transcription of the costs incurred by businesses, and the correct determination of value added has an overall priority.

29. In the TSA, we can be freed from some of these restrictions and admit a dual classification of transactions, without a total homogeneity: thus, business tourism expenses will be considered in the TSA both as part of tourism consumption, for the description of this variable, and as an element of the intermediate consumption of the relevant businesses when the compilation of value added is at stake.

\textsuperscript{2} If the inclusion of insurance services and pension fund services was already contemplated in SNA68, the inclusion of financial intermediation services indirectly measured is a novelty of SNA93.
Annex 1
Full sequence of accounts for households

I: Production account

<table>
<thead>
<tr>
<th>Uses</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.1</td>
<td>Output 1/</td>
</tr>
<tr>
<td>P.11</td>
<td>Market output</td>
</tr>
<tr>
<td>P.12</td>
<td>Output for own final use</td>
</tr>
<tr>
<td>P.2</td>
<td>Intermediate consumption</td>
</tr>
<tr>
<td>B.1g</td>
<td>Value added, gross</td>
</tr>
<tr>
<td>K.1</td>
<td>Consumption of fixed capital</td>
</tr>
<tr>
<td>B.1n</td>
<td>Value added, net</td>
</tr>
</tbody>
</table>

1/ For the valuation of output, refer to chapter VI, paragraphs 6.210 to 6.227.

II. Distribution and use of income accounts

II.1: Primary distribution of income account

II.1.1: Generation of income account

<table>
<thead>
<tr>
<th>Uses</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.1</td>
<td>Compensation of employees</td>
</tr>
<tr>
<td>D.11</td>
<td>Wages and salaries</td>
</tr>
<tr>
<td>D.12</td>
<td>Employers’ social contributions</td>
</tr>
<tr>
<td>D.121</td>
<td>Employers’ actual social contributions</td>
</tr>
<tr>
<td>D.122</td>
<td>Employers’ imputed social contributions</td>
</tr>
<tr>
<td>D.29</td>
<td>Other taxes on production</td>
</tr>
<tr>
<td>D.39</td>
<td>Other subsidies on production</td>
</tr>
<tr>
<td>D.4</td>
<td>Property income</td>
</tr>
<tr>
<td>D.41</td>
<td>Interest</td>
</tr>
<tr>
<td>D.42</td>
<td>Distributed income of corporations</td>
</tr>
<tr>
<td>D.421</td>
<td>Dividends</td>
</tr>
<tr>
<td>D.422</td>
<td>Withdrawals from income of quasi-corporations</td>
</tr>
<tr>
<td>D.43</td>
<td>Reinvested earnings on direct foreign investment</td>
</tr>
<tr>
<td>D.44</td>
<td>Property income attributed to insurance policyholders</td>
</tr>
<tr>
<td>D.45</td>
<td>Rent</td>
</tr>
<tr>
<td>B.1</td>
<td>Value added 1/</td>
</tr>
<tr>
<td>B.2</td>
<td>Operating surplus 1/</td>
</tr>
<tr>
<td>B.3</td>
<td>Mixed income 1/</td>
</tr>
</tbody>
</table>

1/ The opening and the closing balancing item of this account can be expressed in gross or in net terms. The amount presented refers to the net value.

II.1.2: Allocation of primary income account

<table>
<thead>
<tr>
<th>Uses</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.1</td>
<td>Compensation of employees</td>
</tr>
<tr>
<td>D.11</td>
<td>Wages and salaries</td>
</tr>
<tr>
<td>D.12</td>
<td>Employers’ social contributions</td>
</tr>
<tr>
<td>D.121</td>
<td>Employers’ actual social contributions</td>
</tr>
<tr>
<td>D.122</td>
<td>Employers’ imputed social contributions</td>
</tr>
<tr>
<td>D.4</td>
<td>Property income</td>
</tr>
<tr>
<td>D.41</td>
<td>Interest</td>
</tr>
<tr>
<td>D.42</td>
<td>Distributed income of corporations</td>
</tr>
<tr>
<td>D.421</td>
<td>Dividends</td>
</tr>
<tr>
<td>D.422</td>
<td>Withdrawals from income of quasi-corporations</td>
</tr>
<tr>
<td>D.43</td>
<td>Reinvested earnings on direct foreign investment</td>
</tr>
<tr>
<td>D.44</td>
<td>Property income attributed to insurance policyholders</td>
</tr>
<tr>
<td>D.45</td>
<td>Rent</td>
</tr>
<tr>
<td>B.5</td>
<td>Balance of primary incomes 1/</td>
</tr>
</tbody>
</table>

1/ The opening and the closing balancing item of this account can be expressed in gross or in net terms. The amount presented refers to the net value.
### II.1.2.1: Entrepreneurial income account

**Uses**

<table>
<thead>
<tr>
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<th>Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.4</td>
<td>Property income</td>
</tr>
<tr>
<td>D.41</td>
<td>Interest</td>
</tr>
<tr>
<td>D.45</td>
<td>Rent</td>
</tr>
</tbody>
</table>

**Resources**

<table>
<thead>
<tr>
<th></th>
<th>Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.2</td>
<td>Operating surplus</td>
</tr>
<tr>
<td>B.3</td>
<td>Mixed income</td>
</tr>
<tr>
<td>D.4</td>
<td>Property income</td>
</tr>
<tr>
<td>D.41</td>
<td>Interest</td>
</tr>
<tr>
<td>D.42</td>
<td>Distributed income of corporations</td>
</tr>
<tr>
<td>D.421</td>
<td>Dividends</td>
</tr>
<tr>
<td>D.422</td>
<td>Withdrawals from income of quasi-corporations</td>
</tr>
<tr>
<td>D.44</td>
<td>Property income attributed to insurance policyholders</td>
</tr>
</tbody>
</table>

1/ The opening and the closing balancing item of this account can be expressed in gross or in net terms. The amount presented refers to the net value.

2/ Including only property income connected with market activities.

### II.1.2.2: Allocation of other primary income account

**Uses**

<table>
<thead>
<tr>
<th></th>
<th>Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.4</td>
<td>Property income</td>
</tr>
<tr>
<td>D.41</td>
<td>Interest</td>
</tr>
<tr>
<td>D.45</td>
<td>Rent</td>
</tr>
</tbody>
</table>

**Resources**

<table>
<thead>
<tr>
<th></th>
<th>Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.4</td>
<td>Entrepreneurial income</td>
</tr>
<tr>
<td>D.1</td>
<td>Compensation of employees</td>
</tr>
<tr>
<td>D.11</td>
<td>Wages and salaries</td>
</tr>
<tr>
<td>D.12</td>
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<td>Dividends</td>
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</tr>
<tr>
<td>D.43</td>
<td>Reinvested earnings on direct foreign investment</td>
</tr>
<tr>
<td>D.44</td>
<td>Property income attributed to insurance policyholders</td>
</tr>
<tr>
<td>D.45</td>
<td>Rent</td>
</tr>
</tbody>
</table>

1/ The opening and the closing balancing item of this account can be expressed in gross or in net terms. The amount presented refers to the net value.

2/ Property income not connected with market activities.
II.2: Secondary distribution of income account

<table>
<thead>
<tr>
<th>Uses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>D.5</td>
<td>Current taxes on income, wealth, etc. 178</td>
</tr>
<tr>
<td>D.51</td>
<td>Taxes on income 176</td>
</tr>
<tr>
<td>D.59</td>
<td>Other current taxes 8</td>
</tr>
<tr>
<td>D.61</td>
<td>Social contributions 524</td>
</tr>
<tr>
<td>D.611</td>
<td>Actual social contributions 303</td>
</tr>
<tr>
<td>D.6111</td>
<td>Employers' actual social contributions 174</td>
</tr>
<tr>
<td>D.61111</td>
<td>Compulsory employers' actual social contributions 100</td>
</tr>
<tr>
<td>D.6112</td>
<td>Voluntary employers' actual social contributions 14</td>
</tr>
<tr>
<td>D.61122</td>
<td>Employees' social contributions 97</td>
</tr>
<tr>
<td>D.61121</td>
<td>Compulsory employees' social contributions 85</td>
</tr>
<tr>
<td>D.611222</td>
<td>Voluntary employees' social contributions 12</td>
</tr>
<tr>
<td>D.61113</td>
<td>Social contributions by self- and non-employed persons 32</td>
</tr>
<tr>
<td>D.611131</td>
<td>Compulsory social contributions by self- and non-employed persons 22</td>
</tr>
<tr>
<td>D.61132</td>
<td>Voluntary social contributions by self- and non-employed persons 10</td>
</tr>
<tr>
<td>D.612</td>
<td>Imputed social contributions 19</td>
</tr>
<tr>
<td>D.62</td>
<td>Social benefits other than social transfers in kind 0</td>
</tr>
<tr>
<td>D.622</td>
<td>Private funded social benefits 0</td>
</tr>
<tr>
<td>D.7</td>
<td>Other current transfers 71</td>
</tr>
<tr>
<td>D.71</td>
<td>Net non-life insurance premiums 31</td>
</tr>
<tr>
<td>D.75</td>
<td>Miscellaneous current transfers 40</td>
</tr>
<tr>
<td>B.6</td>
<td>Disposable income 1/ 1 164</td>
</tr>
</tbody>
</table>

1/ The opening and the closing balancing item of this account can be expressed in gross or in net terms. The amount presented refers to the net value.

II.3: Redistribution of income in kind account

<table>
<thead>
<tr>
<th>Uses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>D.6</td>
<td>Disposable income 1/ 1 164</td>
</tr>
<tr>
<td>D.63</td>
<td>Social transfers in kind 288</td>
</tr>
<tr>
<td>D.631</td>
<td>Social benefits in kind 162</td>
</tr>
<tr>
<td>D.6311</td>
<td>Social security benefits, reimbursements 78</td>
</tr>
<tr>
<td>D.6312</td>
<td>Other social security benefits in kind 68</td>
</tr>
<tr>
<td>D.6313</td>
<td>Social assistance benefits in kind 19</td>
</tr>
<tr>
<td>D.632</td>
<td>Transfers of individual non-market goods and services 66</td>
</tr>
<tr>
<td>B.7</td>
<td>Adjusted disposable income 1/ 1 392</td>
</tr>
</tbody>
</table>

1/ The opening and the closing balancing item of this account can be expressed in gross or in net terms. The amount presented refers to the net value.

II.4: Use of income account

II.4.1: Use of disposable income account

<table>
<thead>
<tr>
<th>Uses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>D.5</td>
<td>Final consumption expenditure 1 015</td>
</tr>
<tr>
<td>D.51</td>
<td>Individual consumption expenditure 1 015</td>
</tr>
<tr>
<td>B.8</td>
<td>Saving 1/ 160</td>
</tr>
</tbody>
</table>

1/ The opening and the closing balancing item of this account can be expressed in gross or in net terms. The amount presented refers to the net value.
### II.4.2: Use of adjusted disposable income account

<table>
<thead>
<tr>
<th>Uses</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.4 Actual final consumption</td>
<td>B.7 Adjusted disposable income $^1/1$</td>
</tr>
<tr>
<td>P.4 Actual individual consumption</td>
<td>1 243</td>
</tr>
<tr>
<td></td>
<td>D.8 Adjustment for the change in net equity of</td>
</tr>
<tr>
<td></td>
<td>household on pension funds</td>
</tr>
<tr>
<td>B.8 Saving $^1/1$</td>
<td>167</td>
</tr>
</tbody>
</table>

$^1/1$: The opening and the closing balancing item of this account can be expressed in gross or in net terms. The amount presented refers to the net value.

*Source: SNA 1993 table A.V.6 (excluding accumulation accounts, financial accounts, other changes in assets accounts and balance sheets)*
Annex 2

Figure II.2 TSA methodological References

Visitor final consumption expenditure in cash (a)

Visitor barter transactions

Visitor production for own final use

Counterpart of income in kind

Visitor final consumption expenditure in kind

Tourism social security benefits in kind (b)

Tourism social assistance benefits in kind (b)

Individual non market tourism services

Tourism social transfers in kind

Visitor actual final consumption

Visitor consumption (e)

Tourism business expenses (d)

(a) This always represents the most important component of total consumption of or on behalf of visitors. It covers what is usually meant by “visitor expenditure”, but the 1993 SNA obliges the use of more precisely defined terms. The term “in cash” does not necessarily mean a disbursement of “cash” but refers to all visitor final consumption expenditure that is not in kind.

(b) The term “tourism” refers to transfers for tourism purposes addressed to potential visitors.

(c) The area in grey represents the part of total consumption of or on behalf of visitors that corresponds strictly to the transposition of the 1993 SNA concept of household actual final consumption to visitors (both residents and non-residents).

(d) Including expenditure on transport and accommodation of employees on business trips and expenditure made by business, government and NPISH on behalf of guests outside their usual environment.

(e) Visitor consumption refers to total consumption of or on behalf of visitors and could, consequently, also be termed as “visitor demand”.
Agenda item 5. Conceptual Concerns

The Working Group took up the seven conceptual items identified in the working memorandum and resolved them in turn with the following conclusions:

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. INCLUDE PRODUCTS ACQUIRED BEFORE OR AFTER TRAVEL IN BASIC DEFINITION?</td>
<td>Pre- and post-trip expenditures can be included in the basic system or in the first extension.</td>
</tr>
</tbody>
</table>

It was agreed that pre- and post-expenditures were part of the “core” expenditures of a TSA. It was also recognized that for many countries that focused on inbound tourism, as many would, this subject did not have bearing and they would not need to incorporate it in their approaches. The following matrix describes the relationship of pre- and post-expenditures for the compiling economy.

Pre- and Post-Trip Expenditures Applicability
(from the point of view of the compiling economy)

<table>
<thead>
<tr>
<th></th>
<th>Pre-Trip</th>
<th>During</th>
<th>Post-Trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Inbound</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Outbound</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. INCLUDE DURABLES NOT PURCHASED ON A TRIP IN TOURISM CONSUMPTION; SUBSIDIARY ISSUE OF SINGLE OR MULTIPURPOSE DURABLES AND RELATED ALLOCATION APPROACHES OR PRODUCTION BOUNDARY CHANGES?</td>
<td>The inclusion of single purpose durables is proposed as an extension; with a further extension for multipurpose durables to be treated by allocation of use.</td>
</tr>
</tbody>
</table>
It was agreed that a system extension would be established to provide for discretionary treatment of consumer durables. Textual treatment should fairly examine the pro’s and con’s of inclusion and exclusion. Each TSA will be free to elect appropriate treatment (inclusion or exclusion) according to its system requirements, statistical sophistication and data availability. Where and when inclusion is selected, consumer durables should be separately identified. For those countries where the forms of tourism are not critical and the focus is on inbound tourism consumer durables treatment may not be a critical topic, although its value for regional analysis may be significant.

To assist National Statistical Offices in the estimate of consumer durables tourism shares, reference examples of allocation treatment will be included in the “kit” manuals. In many countries the National Statistical Office will have had little experience with such procedures. It may take time to complete the research and develop the capabilities to undertake effective procedures. This research may need further support. Where a tourism share is impossible to determine, NSOs may elect an all or nothing (0% or 100%) product allocation based on majority usage assumptions. Where an allocation approach is employed, it should be based on a tourism share allocation of consumer purchases each year rather than a “flow of services”. Lists of multi-purpose consumer durables are likely to be country specific.

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. IMPORTS SEEMS A QUESTION: A) IN THE TREATMENT OF OUTBOUND TOURISM; AND OF, B) IMPORTS TO THE ECONOMY THAT SUPPORT INTERNAL TOURISM AS WELL AS NON-TOURISM.</td>
<td>Most systems on internal tourism measurement; the WTO approach is designed to support treatment of all forms of tourism, including national tourism.</td>
</tr>
</tbody>
</table>

It was agreed that ultimately all systems would need to include the role of imports to the economy in relationship to its economic impacts on tourism. For some countries this is more significant than others. The following tables identify the component expenditures of the different approaches to the forms of tourism.

Also, there needs to be a clear distinction made between the two kinds of imports as the term is used in some tables: a. Imports as a result of outbound tourism; and b. Imports to the economy of products consumed by internal tourism and by other consumers. These categories may overlap on occasion as well.

INTERNATIONAL TOURISM EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th>DOMESTIC</th>
<th>INBOUND</th>
<th>OUTBOUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>VISITORS</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
</tbody>
</table>

NATIONAL TOURISM EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th>DOMESTIC</th>
<th>INBOUND</th>
<th>OUTBOUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>VISITORS</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>
ISSUE | COMMENTS
--- | ---
4. COMPONENTS OF WHAT COMPRISSES TOURISM EXPENDITURE AND CONSUMPTION. | WTO incorporates a very comprehensive list of elements consistent with SNA. These should be treated with a checklist for information purposes.

The checklist idea was accepted as a valuable addition to what may be called “meta-data” (data about data). The central point is that users of TSA data should be informed of what has been and has not been included in the compilation. This concept is closely related to the ideas of flexibility and extensions of the core (basic) system. Among the elements of the checklist are:

- inbound, outbound, domestic tourism as in issue 3 above
- national, internal, international tourism as in issue 3 above
- tourists and same-day visitors
- basic definitions and extensions (covering pre- and post-trip expenditure and durable)
- services in kind
- transfer-in-kind payments.

It was agreed that the WTO expert team would seek to develop this checklist for Steering Committee review.

| ISSUE | COMMENTS |
--- | --- |
5. INCLUSION OF GFCF AT ALL; AND IF SO, WHAT TO INCLUDE | GFCF is included; a list for guidance is being formed.

Gross Fixed Capital Formation (GFCF) is a valid component of a TSA. At this time OECD includes de GFCF associated with characteristic activities and the infrastructure provided to characteristic activities. WTO provides a modular accounting for GFCF of all activities serving tourism demand. It was agreed that the inclusion of infrastructure serving characteristic activities was a subject requiring further research.

With respect to this topic and others such as 6 and 7 below, it was agreed that lists were generally to identify “possible items for inclusion” rather than “core” lists that are prescriptive regarding what must be included.
<table>
<thead>
<tr>
<th>ISSUE</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. INCLUSION OF INDIVIDUAL NON-MARKET SERVICES; AND IF SO WHAT TO INCLUDE</td>
<td>Individual non-market services are included; a list for guidance is being formed.</td>
</tr>
<tr>
<td>7. INCLUSION OF COLLECTIVE NON-MARKET SERVICES; AND IF SO WHAT TO INCLUDE.</td>
<td>Collective non-market services are included; a list for guidance is being formed.</td>
</tr>
</tbody>
</table>

It was accepted that this area is open to the individual choices of countries developing a TSA. No rules seem appropriate at this time. It is an area that has seen only limited research and discussion. It is appropriate for WTO to continue to examine this subject and develop procedures for treating the subject.

This subject raised the question of how public spending items such as tourism promotion and other costs of tourism administration are to be treated in a TSA. The linkage to COFOG (Classification of Functions of Government) was identified as another research area.

..........
EIGHTH MEETING OF THE STEERING COMMITTEE

PREPARATORY MEETING FOR THE WORLD CONFERENCE ON THE MEASUREMENT OF THE ECONOMIC IMPACT OF TOURISM
Mexico, 26-27 November 1998

COMMENTS TO FINDINGS AND CONCLUSIONS
TSA WG1

by
Mrs. Marion Libreros
GENERAL CONSIDERATIONS USEFUL FOR ISSUE 1 AND 2

We need to have a more consistent view on what defines tourism consumption: whether it is the nature of the good or service purchased, or the condition in which the purchaser (or the beneficiary of the good and service) finds himself when the good or service is acquired; whether tourism consumption is defined by the acquisition of goods and services or by uses: while this is not defined, then the issues at stake in 1. And 2. will eternally be discussed.

SNA defines household final consumption of a period through the value of the goods and services purchased during this period. Expenditure in drugs for instance is measured through the drugs purchased, irrespective of whether they were effectively taken by the sick during that period. Obviously, for a study on the effectiveness of medical treatments, this type of statistics is not useful. But it is all that can be grasped through SNA. In the case of tourism, we have also to accept this limitation: during a trip, we shall “use” goods and services purchased before the trip; after the trip, we shall also use goods and services which were purchased during the trip: if we want to include all goods and services purchased in prevision of a trip within tourism consumption (food, small pharmacy, fuel, etc...) then we should also exclude all that has been purchased during the trip and used after... and we then switch from a point of view of “purchase” towards a point of view of “use”, which does not correspond to that of SNA, and begins to generate a huge amount of imputations (of the kind: please estimate how much gas was in your tank as you initiated your journey and how much was left over at the end of it..., how much perfume or shaving lotion you took on the trip, and how much was left over..)

It must be observed that this concerns, not only “durables” but also all “non perishable non-durables” as soon as the criterion of “use” replaces the notion of “acquisition”, because for all these goods, there is a difference between the moment the good is purchased and the moment the good is used. The question is then whether what we obtain with all these imputations is really useful for economic analysis and the definition of economic policy concerning tourism...

I do still think that the displacement of demand is a relevant issue and is at the core of tourism, I am not sure that Tourism Administrations are really concerned about measuring uses during a trip. On the other hand, a visitor does not displace easily to a place where he knows he will not be able to find, within easy distance, all what he needs to have a good time, and tourism planning is precisely oriented to satisfy this kind of need.
ISSUE 1: INCLUDE PRODUCTS ACQUIRED BEFORE OR AFTER TRAVEL IN BASIC DEFINITION

In order to give some answer to this question, conceptually consistent with how tourism has been defined, we need to question again the object of measuring tourism expenditure: what do we want to measure, and what does it mean in terms of tourism vs. the rest of the economy?

Back to the basics: tourism has to do with the displacement of individuals. These displacements produce both:

- a displacement of consumption expenditure;
- an increase in total consumption expenditure;

and these are the economic effects that we are interested in measuring. Both are important and interesting to measure, and although we all agree that it is not always feasible to identify what is “displaced” demand and what is “net increased demand”, it is conceptually important to have an idea of what is covered in each case. On the other hand, if that is the concern in measuring tourism consumption then all that we decide to include into tourism expenditure must fall within one of these two categories.

Displaced consumption is important for planning purposes, and occur when it is the buyer who displaces himself within the domestic economy, that is, only in the case of domestic tourism: Displaced demand is important to identify because it is necessary to know where goods and services are required by visitors, so that they can find what they want to consume where they are (which can be the same - displaced demand- or different from what they usually consume in their usual environment..); this displaced demand has clearly a direct impact for the places visited and where this demand is made effective (but might have a negative effect for the places from which the visitors come from...). But for the compiling economy as a whole, this does not have a net direct impact as such, but might require additional fixed capital formation, generate additional jobs, and a complex spatial planning will be needed in order to be able to respond to the demand in these particular locations.

Net increased demand: all demand which would not have surged, were it not for the fact that persons have displaced themselves. For the economy visited, all expenditure by inbound tourism is of this kind, and that is why much of the attention focuses on inbound tourism. But it also encompasses part of outbound tourism expenditure within the economy (particularly demand for travel agency services and transportation) and also part of domestic tourism expenditure, when it refers to purchases which would not have occurred, had the visitor stayed in his/her usual environment.
It is clear that it encompasses principally expenditure on transportation, accommodation, recreation, etc..., that is: basically expenditure on characteristic tourism goods and services, but this list is not exclusive.

Looking now at pre- and post-trip expenditures, they are not part of displaced demand because they take place in the usual environment of the visitor. If we consider that they should be included within tourism expenditure, they should fall within the category of “net increased demand”. In that sense, if these pre- and post-trip expenditures should be included, they should refer to very specific expenditures, unambiguously related to the trip so that they would fall within this type of additional demand, which would not have occurred without the trip, and not be anticipated expenditures for current items only: I would favor then that a list of such items be made explicit. I agree with the purchase of films and the printing of them for instance. But I disagree with the anticipated revision of the automobile, anticipated purchase of small personal items, most of the clothes, etc.

Regarding the filling of the tank of an automobile, or the errands you fill your car with before departure, I think that if we include these in tourism expenditure, then we should, in a symmetric fashion, subtract all gasoline and food and others that the visitor bring back from his/her trip and consumes at home, in his/her usual environment: then we would implicitly be reasoning in terms of “use” of goods and services and not in term of “acquisition” of goods and services which is how SNA93 perceives consumption

Nevertheless, I still have problems in relating these pre- and post-trip expenditures with tourism expenditure as considered from the supply side as in that case, we speak of sales to visitors: in the case of pre- and post-trip expenditures, the consumer is not a visitor: he is within his usual environment and for the supplier, he is a “usual customer”: As a consequence, I find very difficult to justify the inclusion of pre- and post-trip expenditure from a supply point of view.

We must be conscious that with these inclusions (and that of consumer durables purchased outside the context of a trip - see later), we are changing the definition of tourism expenditure from one where the visitor is who gives the character of tourism expenditure, to a combined definition, where the nature of the commodity purchased can also give the character of tourism expenditure to a consumption expenditure, through the presumption of its use for tourism purposes: we are thus slowly drifting from a strict definition of tourism expenditure as acquisition of goods and services, in strict application of SNA93, to a vision where the “use” (or potential use) given to a good or service is also considered as a fact to be taken into consideration....

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1 SNA93 §9.40 “In practice, the System measures household consumption only by expenditures and acquisitions...”
If we still consider that pre- and post-trip expenditure have to do with tourism expenditure, I agree with Doug. Frechting: The observation of these pre- and post-trips expenditure require from the compilers, systems of observation that are much more elaborated, and thus they should not be required within the basic recommendation, but only in an extension, provided a concrete list of what can be in or out is made explicit.

ISSUE 2: INCLUDE DURABLES NOT PURCHASED ON A TRIP IN TOURISM CONSUMPTION; SUBSIDIARY ISSUE OF SINGLE OR MULTIPURPOSE DURABLES AND RELATED ALLOCATION APPROACHES OR PRODUCTION BOUNDARY CHANGES?

First, we should define what we are talking about: all consumer durables, or only some of important unit value: I remind you that a pair of shoes, a suit, clothes in general, small leather goods, books, CDs, a fountain pen, small personal items such an electric razor, a hair dryer, cards, most of toys, ... are consumer durables. For these in general (maybe with some exceptions concerning maps or objects very strictly associated to a trip, for instance equipment for camping and the like) , I am totally opposed to any type of inclusion of purchases not on a trip and to any allocation, because we completely change the meaning of consumption, from an acquisition point of view to a use point of view. (see previous discussion...)

Additionally, it makes the compilation of the accounts terribly difficult, and I think, meaningless: what is the possible use of data obtained that way for planning purposes?

For me, these durable goods of small unit value, are:

- included in tourism expenditure if purchased on a trip.
- excluded (with some exceptions) if not purchased on a trip.

Exceptions can be specifically made to that rule if they fall within pre- and post-trip expenditures (and provided we have agreed to include them: issue 1).

So everything, in my view, is reduced to the problem of those of important unit value: important equipment for the house, specialized equipment for the practice of some sports, transportation equipment including automobiles.
For these consumer durables, and these only, those single purpose could be included in an extension. I am much more doubtful for the others, because we would again think in terms of uses, and again, I am not sure it is very useful to include them for economic analysis.

Those single purpose would enter in one category of extension, and allocation procedures should be left to more “advanced” extensions.

If we consider the possibility of switching from an acquisition point of view to a use point of view, the production boundary would completely change and would generate a different family of satellite account. This can be commented briefly in the document, and no more.

ISSUE 3. IMPORTS SEEMS A QUESTION: A.) IN THE TREATMENT OF OUTBOUND TOURISM; AND OF, B.) IMPORTS TO THE ECONOMY THAT SUPPORT INTERNAL TOURISM AS WELL AS NON-TOURISM

Imports is defined as all transaction involving the acquisition of goods and services by a resident from a non resident.

For the tourism satellite account, imports is not really a problem. But it is very important, particularly for new economies which look at tourism as a source of foreign exchange, that the whole effect of tourism on the balance of payments be taken into account, particularly with regards to imports by the suppliers to visitors in order to be able to respond to visitors demand.

In the measurement of tourism expenditure, imports intervene in two ways:

- Imports due to the displacement of consumers to the place where these goods and services are offered: All purchase by residents outside the economic territory from non resident producers is an import: most of outbound tourism expenditure are imports; the observation of outbound tourism has not the same priority as that of inbound tourism and domestic tourism because it does not require the provision of infrastructure or other, unless for travel agencies, packagers and transportation services. Nevertheless, and the example of Canada is here, it might be important for a country to find out what attracts its residents abroad, in order to generate domestic alternatives. The system proposed should not set aside this aspect.

- Imports due to the offer of goods in the place where visitors are: Internal visitors, that is both domestic visitors and inbound visitors can buy goods within the domestic economy which have been imported to the economic territory of the economy of compilation; in the past, with the existence of duty free areas and free trade zones this might have been very important.
Shopping was the main purpose of visitors to certain locations. They are relatively less important to-day with the general lowering of the import duties all over the world.

The difference between both concepts of imports is clearly made in draft 4 Chart 3.

**In the compilation of the direct effect of tourism on the balance of Payments,** in merchandise, it is also necessary to take into account, as imports, those goods and services imported by producers as intermediate inputs to serve visitors. And also those capital goods that have been imported. (here, we have a problem though to define what we call “producers”, and it is the eternal problem when we look at the supply aspects of tourism: do we speak of tourism characteristic activities, do we speak of “tourism” as an abstract concept, using processes of allocation to tourism of the intermediate consumption of all producing activities to tourism; do we use the tourism sector (as a set of institutional units...); this issue is generally discussed below:) this issue seems to have been overviewed by WTTC...

**ISSUE 4. COMPONENTS OF WHAT COMPRISES TOURISM EXPENDITURE AND CONSUMPTION**

I agree with U.N.’s comment that we have a serious problem of definition, and the vocabulary we use should be reviewed. These problems of definition have two sources: one in the system of definition adopted in Ottawa, the other, in the difficulty to adapt SNA definitions to the context of tourism.

First the Ottawa’s vocabulary is confusing, and uses up various words for a single meaning...

“The definition of expenditure is closely linked to that of tourism consumption.”

“Tourism consumption is defined as the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination.”

SNA93 recognizes explicitly the existing ambiguities which concerning the term consumption: “The term “consumption” on its own can be ambiguous and misleading. Sometimes it is used by economists to refer to consumption expenditures, sometimes to acquisitions of consumption goods and services and sometimes to the physical use of the goods and services for the direct satisfaction of human needs or wants.”

SNA makes an important distinction between consumption expenditure, acquisition and actual final consumption, and I think we should try to have the same sequence. Nevertheless, SNA has a way of applying these principles which is not totally clear

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2 SNA93 §9.74.
for non experts. In the case of tourism, we have an additional "bug" or component, intermediate consumption, that we add to these final consumption items, and may be it is what is meant by the "expenditure" concept of OTTAWA.

<table>
<thead>
<tr>
<th>SNA</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRINCIPLES</strong></td>
<td></td>
</tr>
<tr>
<td>Expenditures are defined as the values of the amounts that buyers</td>
<td>Expenditure is the basic concept used in SNA for studying final</td>
</tr>
<tr>
<td>pay or agree to pay to sellers in exchange for goods or services that</td>
<td>consumption of resident and non resident households.</td>
</tr>
<tr>
<td>sellers provide to them or to other institutional units designed by</td>
<td>If we read this definition until the end, we find that all transfers in</td>
</tr>
<tr>
<td>the buyers. (§9.22)</td>
<td>kind received by an institutional unit, with the exception of social</td>
</tr>
<tr>
<td>The value of the goods and services acquired by an institutional</td>
<td>transfers in kind, are part of the expenditure of the institutional unit</td>
</tr>
<tr>
<td>unit or sector consists of the value of the goods and services</td>
<td>receiving these transfers in kind. The difference between acquisition</td>
</tr>
<tr>
<td>acquired through its expenditure plus the value of goods and services</td>
<td>and expenditure is thus only due to social transfers in kind.</td>
</tr>
<tr>
<td>received through transfers in kind less the value of goods and</td>
<td></td>
</tr>
<tr>
<td>services transferred to other units. Transfers in kind made to</td>
<td></td>
</tr>
<tr>
<td>other units are recorded as negative acquisitions. This statement</td>
<td></td>
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<tr>
<td>needs to be qualified to the extent that several categories of</td>
<td></td>
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<tr>
<td>current transfers - i.e. current transfers within general government,</td>
<td></td>
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<tr>
<td>current international cooperation and miscellaneous current</td>
<td></td>
</tr>
<tr>
<td>transfers - may include some transfers in kind. These transfers in</td>
<td></td>
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<tr>
<td>kind are treated as if they were transfers in cash. Accordingly, the</td>
<td></td>
</tr>
<tr>
<td>values of the goods or services received are actually recorded as</td>
<td></td>
</tr>
<tr>
<td>expenditures by the institutional units or sectors that acquire them</td>
<td></td>
</tr>
<tr>
<td>(§9.32)</td>
<td></td>
</tr>
<tr>
<td><strong>DEFINITIONS</strong></td>
<td></td>
</tr>
<tr>
<td>Household final consumption expenditure consists of expenditure</td>
<td>As a consequence, in national accounts, we use only two definitions for</td>
</tr>
<tr>
<td>incurred by resident households on consumption goods or services.</td>
<td>household final consumption: the notion of expenditure, and that of</td>
</tr>
<tr>
<td>(§9.32 and §9.45)</td>
<td>actual final consumption</td>
</tr>
<tr>
<td>It includes expenditures on goods and services received as income</td>
<td></td>
</tr>
<tr>
<td>in kind (§9.50), and those received as transfers in kind other than</td>
<td></td>
</tr>
<tr>
<td>social transfers in kind (§9.32 and §8.42). Household actual final</td>
<td></td>
</tr>
<tr>
<td>consumption consists of the consumption goods and services acquired</td>
<td></td>
</tr>
<tr>
<td>by individual households by expenditures or through social transfers</td>
<td></td>
</tr>
<tr>
<td>in kind received from government units or non-profit institutions</td>
<td></td>
</tr>
<tr>
<td>serving households</td>
<td></td>
</tr>
</tbody>
</table>

If we try to translate exactly these concepts in the field of tourism, we find two difficulties:

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5 It is exactly what is shown in Draft 4 Annex 1 Chart 1.
• We would like to have more concepts, in order to split those consumption expenditure effectively paid by visitors from those that are transfers in kind other than social transfers in kind; The compilation of these transfers in kind might be difficult, and in some cases (as observed by the U.N.) not of much interest and thus it is important to generate aggregates including or excluding them;

• We have to find a category into which to enter those expenses on business travel paid by businesses and to generate a grand total.

• The proposal included in Draft 4 is not convenient because it does not allow a clear distinction between expenditure corresponding to those paid for directly by the visitors and those corresponding to transfers in kind other than social transfers in kind.

We could reserve the term “tourism expenditure” as different from “actual tourism consumption” to include business tourism expenditure. This seems to be consistent with the spirit of the Ottawa’s definitions.

Total tourism expenditure = Actual tourism consumption + Business tourism expenditure

I suggest to use the term “direct consumption of visitors” to refer to consumption expenditure made by visitors themselves (that is without transfers in kind different from social transfers in kind).

We would have:

<table>
<thead>
<tr>
<th>Direct consumption of visitors (direct tourism consumption)</th>
<th>=</th>
<th>Consumption expenditures made by visitors themselves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption expenditure of visitors (tourism consumption expenditure)</td>
<td>=</td>
<td>Direct consumption of visitors + transfers in kind others than social transfers in kind</td>
</tr>
<tr>
<td>Actual consumption of visitors (actual tourism consumption)</td>
<td>=</td>
<td>Consumption expenditure of visitors + social transfers in kind</td>
</tr>
<tr>
<td>Total tourism expenditure</td>
<td>=</td>
<td>Actual consumption of visitors + business tourism expenditure</td>
</tr>
</tbody>
</table>

Any of the aggregates defined at this stage would be the basis for the calculation of Tourism Value Added or Tourism GDP: these depend on the coverage of tourism expenditure that is adopted.
In terms of the base, we might have problems here to define what we would like to see included: we might wish in a first stage to exclude all transfers in kind from the aggregate. We should then need to find a name for this aggregate, which would be equal to direct tourism consumption + business tourism expenditure. It could be applied to any forms of tourism. Would basic tourism consumption work?

We would have the following scheme:

**Basic components**

- Consumption expenditures made by visitors themselves
- Transfers in kind other than social transfers in kind
- Social transfers in kind
- Business tourism expenditure

**Aggregates**

- Direct tourism consumption
- Tourism consumption expenditure
- Actual tourism consumption
- Total tourism expenditure
- Basic tourism consumption

In this context, we would not use the term: “demand”: it could be reserved for a total which would include

- tourism expenditure
- Tourism GFCF
- collective non market services benefiting tourism

I agree wholly with Antonio Massieu’s point of view: if effectively, for the moment, we are concentrating our measurements on tourism expenditure, it is not because tourism GFCF or collective non market services are not important, but because more experience and more thinking needs to be done in these areas before WTO can validly give any precise recommendation on the subject: the replacement of tourism expenditure by tourism demand as a major aggregate to characterize tourism must be within our horizon. The question will be then is this tourism demand will be the basis for the computation of Tourism GDP or not?
Note: transfers in kind, by their nature, are not payments because they are remitted from one institutional unit to another in the form of a good or a service; we cannot speak of “transfer in kind payments”.

We cannot generate different sets of definitions considering different definitions of coverage: including or not pre- or post-trip expenditure, excluding or not consumer durables outside the context of a trip, etc. I think that the tables should indicate in which context (base, extension 1, extension 2, etc.) we are working. This is the basis for the check list which will be proposed.

Regarding the definition of “internal tourism expenditure”, we have a problem because it also includes outbound tourism expenditures acquired from resident providers, while internal tourism is defined as the sum of inbound and domestic tourism: we need to generate an additional aggregate in that case... Ideas?

**ISSUE 5: INCLUSION OF GFCF AT ALL; AND IF SO WHAT TO INCLUDE?**

No doubt that GFCF should be included in the TSA. But it should not be included in the basis for the calculation of tourism GDP or Value Added, but only in the aggregate we could call “tourism demand” (see supra).

We have different issues there:

- Do we want to characterize tourism GFCF also through a list of specific goods? This option seems to have been rejected.

- The association of GFCF to tourism necessarily goes through a production process for which this GFCF is meant to be incorporated as capital good, and there we have two difficulties:

  - One is of the general kind, and results from the same difficulty we have to associate production processes to tourism: all production processes (economic activities) are considered as participating to the supply to visitors in function of the importance of tourism expenditure within their output. All variables associated to these production processes (capital, GFCF, employment, salaries paid, taxes, etc.) are thus also implicated in these processes, and have to be computed within tourism capital, tourism GFCF, tourism employment, tourism salaries paid, tourism taxes, etc. The question is then how and on which basis to make this allocation.

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4 I deliberately use the term “function” which is quite vague, because the importance is not necessarily expressed, for each case and each variable, as directly proportional to the share of tourism expenditure within output.
• The second is that some GFCF are not associated to production processes which are clearly supplying goods and services purchased and incorporated to tourism expenditure. This is the case of roads, or other public infrastructure, the use of which is not expressed through market transactions: nevertheless, it is intuitively felt that they should be considered within tourism GFCF, because their presence is necessary to the existence of tourism altogether: this is principally the case of infrastructure (roads, sewage, urbanization works, etc.), the preservation of natural or manmade sites, etc. Which to incorporate, in which proportion, and how to justify it?

ISSUE 6. INCLUSION OF INDIVIDUAL NON-MARKET SERVICES; AND IF SO WHAT TO INCLUDE

Individual non market services are included within total tourism expenditure (see issue 4.). As the basis would be restricted to basic tourism consumption, which specifically excludes the part of individual non market services not covered by the fee paid by visitors, in terms of total value, they would be excluded from the basis. But as an extension, the definition of consumption would be that of total tourism expenditure, in which case individual market services would be included for their whole value, and be used to compute tourism GDP.

They need to be properly identified. They refer principally to education, recreation and social services provided to visitors free or at prices which are not economically significant.

ISSUE 7. INCLUSION OF COLLECTIVE NON-MARKET SERVICES; AND IF SO WHAT TO INCLUDE

Collective non market services are not included within tourism expenditure, but have to be considered nevertheless within the TSA: they could be included within the concept of tourism demand.

They refer principally to what has been identified in Draft 4 Table 13: regulation, coordination and general administration which clearly benefit both the visitors themselves and the tourism industries.

I would include the special police services, to protect the visitors, but not the border control systems, which aim is to protect the residents form undesirable aliens.

This measurement would not be included within the basic requirement, but in an extension.
B. TOURISM GDP AS DIFFERENT FROM THE GDP OF TOURISM INDUSTRIES; TOURISM GFCF AS DIFFERENT FOR GFCF OF THE TOURISM ACTIVITIES; TOURISM EMPLOYMENT AS DIFFERENT FROM EMPLOYMENT OF THE TOURISM ACTIVITIES

We are facing here a different issue: as the TSA focuses on tourism from the demand side, then all measurement associated with the tourism industries (supply side variables) fall short of complying with the objectives of the System.

Nevertheless, the effect of tourism demand on the supply side cannot be observed directly, and from what I understood, the project is to exclude from the base of the TSA all what is not readily observable, and thus also Tourism GDP which is the first objective for the TSA, and by the same token Tourism GFCF and tourism employment, as neither of those variables can be observed directly...

Although I feel the same uneasiness (and it was mine from the beginning, remember...), we cannot exclude those measurements from the base, because this would be a contradiction!

What we need, is to show clearly what is observable, and what results from a calculation, for which we might suggest a methodology, but which is fragile and can reviewed without questioning the same structure of the TSA: the result would be part of the TSA, but the methodology used to get to it would not.

ON comments to issue 5, I already mentioned the issue of what we call tourism GFCF, and the same problem occurs with tourism employment.

We might be able to define (more easily) the GFCF of tourism industries and the employment of tourism industries, but if we agree that we want to go further in the activity definition of tourism, (what we do with Tourism GDP) then we are in a big mess!

Browsing through the employment module developed for OECD, it appears that it is focused on tourism industries and their employment, and in observations, which are to be found in all the document (§5., 18., 24., 27., 43., 52., 53. etc.) it is mentioned that it is not tourism employment as such but only tourism related employment which measurement is presented.

The question of the ratio’s to be used is discussed, and it is observed that if the ratio’s of visitors demand on total output can be used for the total aggregates (jobs, total hours worked, or full time equivalents) of the different activities involved, it is not applicable to the different characteristics of the labor force.

This shows that the wording used in the introduction of the employment module should be very carefully selected, so that there is no ambiguity on the scope of the
Annex 12

Residence and the Usual Environment

1. THE CONCEPT OF RESIDENCE IN SNA93 AND IN MBPS

Abstracts from SNA Ch.XIV- The rest of the world account (external transactions account)

14.5 “the rest of the world account has a unique character because it is not linked to any specific type of economic activity such as production, consumption, capital formation etc. Instead, all transactions between resident institutional units and non-resident units in respect of all kinds of economic activity are captured under the broad label of the rest of the world account.”

3. The residence of households and individuals

14.15 “A household has a center of economic interest when it maintains a dwelling, or succession of dwellings, within the country which members of the household treat, and use, as their principal residence. All individuals who belong to the same household must be resident in the same country. If a member of an existing household were to be considered no longer resident in the country, that individual would cease to be a member of that household.

14.16 A member of a resident household who leaves the economic territory to return to that same household after a limited period of time (i.e., less than one year) continues to be a resident even if that individual makes frequent journeys outside the economic territory. The individual’s center of economic interest remains in the economy in which the household is resident. The following categories of such individuals are treated as residents:

(a) Travelers or visitors: i.e., individuals who leave the economic territory for less than one year for recreation, business, health, education (see par. 14.20 below), religious, or other purposes;

(b) Individuals who work some, or all of the time in a different economic territory from that in which the household to which they belong is resident;

(i) Workers who work for part of the year in another country, in some cases in response to the varying seasonal demand for labor, and then return to their households;

(ii) Border workers who regularly cross the frontier each day or somewhat

1. Note prepared in October 1998
less regularly (e.g., each week) to work in a neighboring country;

(iii) The staff of international organizations who work in the enclave of those organizations;

(iv) The locally recruited staff of foreign embassies, consulates, military bases, etc.;

(v) The crews of ships, aircraft, or other mobile equipment operating partly, or wholly, outside the economic territory.

14.17 The circumstances in which an individual is likely to cease to be a resident are when that individual lives or works continuously for one year or more in a foreign country. If the individual rejoins his or her original household only very infrequently for short visits and sets up a new household or joins a household in the country of work, the individual can no longer be treated as a member of the original household. Most of the individual's consumption takes place in the country in which he lives or works, and the individual clearly has a center of economic interest there.

14.18 Even if an individual continues to be legally employed and paid by an enterprise which is resident in his home country, that individual should be treated as resident in the host country if the individual works continuously in that country for one year or more...

14.19 The situation of military personnel and civil servants, including diplomats, whom a government employs in its own enclaves, is different. Those enclaves - military bases, embassies and the like - form part of the economic territory of the employing government and the personnel often lives as well as works in the enclave. Therefore, the employees whom a government transfers to work in such enclaves continue to have a center of economic interest in their home country however long they work in the enclaves. They continue to be resident in their home country even if they live in dwellings outside the enclaves.

14.20 Students should be treated as residents of their country of origin however long they study abroad, provided they continue to form part of a household in that country. In these circumstances, their center of economic interest remains in their country of origin rather than the country in which they study. Medical patients abroad also are treated as residents of their country of origin even if their stay is one year or more, provided they continue to form part of a household in their country of origin.

14.21 As to the treatment of individuals who have several international residences, where they may remain for short periods during a given year (for instance, three months in each of four countries), the center of economic interest for such individuals often is "international", not a specific economy. Considerations should be given to such factors as tax status, citizenship (can be dual), etc., but the System does not recommend a
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2. COMMENTS: RESIDENCE VS. USUAL ENVIRONMENT

(1) The concept of residence applies to a household, and thus to all of its members; the concept of usual environment applies separately to each individual within a household: all members of a household have necessarily the same country of residence, but they might have different usual environments.

(2) The concept of residence as defined in national accounts and balance of payments refers to that of country: it is a broad concept. The "place" of residence is not defined, because it is not relevant in this context.

(3) The usual environment is limited geographically to the places which an individual visits within his current routine of life. The notion of "place" is not generally defined, but can be very restrictive.

(4) To an individual is attached a unique country of residence. Might it be conceivable for an individual to have more than one place of usual environment?.

(5) The country of residence and the country in which the usual environment of an individual is located might be different (case of students studying abroad, case of
interns in a hospital abroad, case of military personnel and civil servants, including diplomats, whom a government employs in its own enclaves abroad). Their usual environment is where they live, thus it is located in the host country. Their country of residence is their country of origin. For these persons, they have no usual environment in their country of origin.

3. Need to check international recommendations on population statistics.

We would need to look at international recommendations regarding the classification of the population according to places of residences (recommendations on population statistics).

4. The notion of usual environment

It has not been defined with precision, but we could try to give some hints.

It must include:

- the place where the individual usually stays (what he declares as his place of usual residence), that is where he has his home, where he usually sleeps
- the place where he usually works or studies
- the place where he currently shops
- the place (within a given (?) range) where he is currently involved in recreation and cultural activities

The usual environment of an individual, if considered as unique, might not necessarily consist of a continuous geographic environment. Otherwise, we have to accept that an individual might have more than one usual environment (case of commuters particularly).

All movements among these places identified as part of the usual environment are to be considered as movements within the usual environment, thus outside the scope of tourism.

As a consequence, commuting is not tourism even if the (daily or weekly) commute involves distant places, even eventually different countries. But, in theory, doing the same displacements outside the current routine would be tourism...

As members of a same household do not necessarily have the same usual environment, the displacement of one person of a household to the place of usual environment of another can be tourism, if the place visited is not part of the usual environment of the former.

All members of a same household do not necessarily share the same dwelling at all time. Within the dwellings inhabited permanently or not by any member of the household, one of
them has to be identified as the main or principal dwelling or home of the household; usually, it will be the place where globally more members of the household stay during larger periods of time. All the other dwellings different from the principal one are to be considered as second homes of the household.

The visit to second homes by members of the household for which this place is not their usual environment is tourism. Using the same reasoning, the visit to the principal home of a household by a member of the household for which this place is not part of his usual environment is tourism (case of students living away from home, but still part of the household and coming home for recesses.).
THE CHARACTERISTICITY DISCUSSION: A LENGTHY STORY OF SOME MISERY (BUT LESS THAN GLORY)  

1. "Characteristicity" (Ch): What is meant thereby? An examination by "Historical Method"

If meaning in terms of linguistics is at issue this is a question not solved by consulting lexica of general use. For statistical purposes the answer depends primarily on whether meaning is capable of being operationalised in any way. E.g. saying: Ch denotes something which is a "typical" relation or feature is nothing but tautological with a view to operationalisation. Some criteria will be needed, open to empirical observation (at least, in principle or, as a Gedanken-Experiment if not otherwise easily examined practically), and probably found in the context of socio-economic statistics, and above all in the National Accounts (NA)

As the main references the SNA '68, which has introduced this language, and the SNA '93 may be consulted. For obvious reasons of its importance for later discussion this issue must be considered more thoroughly at the outset already. Some main conclusions from these considerations can then to be used as arguments in later elaboration.

1.1 SNA '68: Technology and Input - Output

The SNA '68 uses "characteristicity" (Ch) to determine the relation between "industries" and "commodities"). Thus in this context neither industries nor commodities can per se be recognised as being "characteristic" but have this meaning only with a view to certain commodities, or industries, respectively. (The other way round, the same applies to Non-Ch, too.) The idea behind is that to each commodity a certain production technology is coordinate ("characteristic"), which is represented in a certain ("characteristic") industry. These distinctions are simple and clear-cut conventions, serving as the conceptual basis of the Make-Use-(M-U) framework of the '68 system, which in its turn serves as the basis of the derivation of Input-Output (I-O) Tables.

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1) Neither the usual dictionaries like Oxford, nor Websters' or Encyclopaedia Britannica know the term "Characteristicity".
2) cf. paras 2.3, 2.5, 3.3, 3.14, 3.15, 6.49
3) cf. Chapter XXI, various places
4) The ESA does not use this term explicitly.
5) SNA '68 language; in SNA '93 "goods & services" or "products" are the equivalents.
6) Exceptionally, the same commodity may be found to originate in different technologies (e.g. the famous example of "common salt", which however derives from each respective technology "by necessity"). Notwithstanding this fact the relation between technology and its coordinate commodity output is recognised as a necessity and that way tends to become an essentially normative notion once a certain technology has been addressed. The assumption of the existence of such necessities is the basis of the whole I-O logic. In that understanding it would be inappropriate to think of commodities being "characteristic" of a certain technology: this relation goes the other way round and is "necessity" rather. Once this normative notion has been accepted it follows automatically that technology is the starting point for input...
As well known, in practice it happens that in given producing units, in addition to an industry’s characteristic production, other output is also found which may not fit into the given Ch profile. Thus a distinction between principal or primary (i.e. characteristic) and secondary (i.e. non-characteristic) output is indicated; however, also primary and secondary production are notions useful not per se but with a view to the recognition of a given Ch network applied as a starting point.

How is this “network” found? It might turn out difficult in terms of given classifications to decide upon priority of commodity notions over industry notions (cf. Chapter 4). In practice there is no such “hen-egg” problem, since commodity production is not organised at will or with a view to market only, but must follow technological necessities.7) “Technology” as a more theoretical, normative notion (i.e. a technologically organised output producing procedure8) is veiled by the “industry”, as a more empirical, practical notion and is that way not easily approached directly.

Therefore, a certain commodity, and often even a variety of commodities, appears to be coordinate to a certain technology; but it is the latter which governs the nature of this relation and, accordingly, industry based classification. In a given producing unit at least one simple “elementary” technology (T) is applied, with at least one simple commodity output (C).

\[ T_i \rightarrow C_i \]

This is an extreme case; as anticipated, usually the situation is as follows:

\[ T_i \rightarrow nC_i, \quad n\epsilon_i \]

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7) The sometimes suspected tautology of defining the characteristic industry by reference to characteristic commodities, and vice versa, quickly disappears when Ch is (i) rightly recognised as a relative notion, and (ii) this relation is traced back to technology, which is holistic, complex, and not decomposed/subdivided at will, but a place where such investigation must end. Of course, these relations are not engraved in stone, are continuously changing with technical progress but also on grounds of shifting economic relations, but this is true in a longitudinal perspective. At a certain moment it is technology which is encountered as the very determinant root: statistically, economically, technically, really, theoretically, ideally. (cf. Section 2.2 below)

8) Technology in this sense comprises a bundle of different but interdependent factors like: technical equipment, suitable materials, knowledge and skill of working staff, legal frameworks a.s.o. – Some discussion on “technology” is found in the SNA 93 (para. 5.2, 5.2.3 and Chapter XV, on various places) as well as in the ESA (“production process”: para. 2.103). In the UN Draft Manual on I-O Tables compilation and Analysis, N.Y. 1997, p. 47, it is simply put on a level with “economic process”. 

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Or if two or more elementary technologies are combined in one unit,

\[ mT_i^c \rightarrow nC_i, \quad m \leq n \]

If certain combinations of elementary technologies appear more or less regularly, or even invariably, they may themselves be considered as altogether representing one single technology. Otherwise, combination will encounter technical, logistical, market etc. problems. (In practice the combinations in the vertical are more often found than in the horizontal.) As long as component elementary technologies are used separately (i.e. not combined), too, combination anyhow increases the possible number of industries. Anyhow, by combination output variation obviously increases all the more. That way it can be concluded that once technologies have been identified:

- (technology is a primary notion) not further reduced by way of empirical observation;
- there is no industry without a specific technology, whether elementary or combined;
- at least as many industries as elementary technologies may be distinguished;
- there are at least as many commodities as elementary technologies, but likely they may be many more;
- the technology basis is a preliminary for both industry and commodity notions.

The latter conclusion does not say that technology is the only possible preliminary but that it is one possible notion of this kind; and it is the central notion if investigations of the I-O type are at issue, i.e. investigations of the relation between final demand, gross output and income generation interlinked by the technological necessities and interdependencies embodied in the I-O Table.

With a view to a later on somewhat changed meaning it may be suggested to determine this kind of Ch the “technological” or – for short – the “I-O Ch”.

Clearly, these necessities and regular (“law-like”) features have a direct impact on classification systems whether for industries (CI) or commodities (CC), and it immediately follows that in a symmetric family of such classifications numbers of categories are related as follows:

\[ CI \leq CC \]

In practical terms, the commodity classification usually comprehends many more categories than the corresponding industry classification so that a certain (digit) level must be specified
where both systems appear first to achieve 1 : 1 correspondence. On that level the story told by the classification is simple: a given industry produces one certain ("characteristic") output category but this result is possibly achieved by means of aggregation of an originally much more detailed breakdown. However, the more interesting question then is:

what are the criteria of the greater breakdown on the part of the commodity classification?

A variety of possibilities may be envisaged as determinants whether with a view to composition (if not relevant for technology) or, more likely, to product properties relevant for use.

1.2 SNA '93: A Change Needed?

This is the moment where the Ch notion as put forward in SNA '93 must be examined more closely. Most interestingly this version no longer uses Ch in the context of I-O (although its material meaning cannot be refused as long as the I-O system is to work on the basis of anticipated technological interrelations\(^9\)): it uses this in the context of satellite accounting (SA) only.\(^{10}\) To recall the very subject of SA the notions of purpose or function are crucial. Various fields arise that way as appropriate topics for SA, like health, education, environment, tourism. Well contrasted against each other externally, each of these purposes or functions requires further substructure internally.

For a purpose notion it is not automatically clear that a classification based on I-O Ch is the only or even the best one. There is always the possibility of another system, coming closer to the notion of purpose, which is a notion of destination, final aim, use, utility etc. rather than of origin, technology, output etc. It can at least not a priori be precluded that there is an autonomous classification structure well suiting the present purpose, and possibly better than an I-O based system: "Purpose Ch".\(^{11}\)

This is a theoretical consideration, however, and it must be examined for its acceptance/applicability in the SNA '93 context (i.e. the SA Chapter XXI). Unfortunately, this

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\(^9\) "Principal" output vs. "secondary" output is used, instead of "characteristic" vs. "non-characteristic" (SNA '93 Chapter XV). In Chapter XXI, para. 21.61, the notion of "typical" relation is used. While this new language may suggest a somewhat less rigorous, more pragmatical understanding of such notions, in principle there remains the same meaning. This may simply be proved by reference to the lasting requirements of I-O, which rests on technological necessities. The identification of main, primary, principal or characteristic activities is tantamount to identification of utmost approximation of the primary (more or less pure, "homogenous") technological production function.

\(^{10}\) Chapter XXI, subsections 3, 6, 7 and 9. - The additional (broader) notion of "specificity" can be ignored for the moment because there is no interaction with the Ch concept in that cases.

\(^{11}\) As pointed out such functionally oriented systems exist in different fields, and even in the case of Tourism. Cf. WTO (M. Libreros), TSA Draft 4 Rev. 1, p. 2 bottom.
system does not really specify the respective criteria, but the following proposal seems to meet the SNA '93's concerns:12)

- the relative importance of that commodity within the respective functions' outlay, or
- the relative importance of that commodity within the respective domestic supply.

In the latter case supply is addressed, which by its very nature is a commodity notion. However, in a symmetric classification system it will be industry related on the basis of Ch. Therefore, for that part the Ch notion as advanced in Chapter XXI may be used in terms of I-O Ch.

However, in the former case it is left open what kind of Ch prevails (i.e. purpose vs. I-O), because the importance or significance within the respective function need not exclusively or necessarily be based on I-O Ch. On the contrary, if the relative importance within outlay is sufficient criterion it can be concluded that in practice, and in theory as well, there may be several systems which should be recognised for their meaningful application in the given context.13)

As an important argument of "meaningful application" the statistical possibilities in practice must always be recognised, too, and they are often decisive because there is no other choice. E.g. purpose based systems often occur in contexts like Family Budget Surveys, just for limitations of memory, better understanding, etc, and are not easily further broken down in such circumstances.

Thus, it depends upon the "philosophy" (the guiding principles...) of this classification to be applied: if it is purpose, or more distinctly, final aim there need not be any relation to criteria like origin or technology. Or vice versa, and in ultimate consequence:

Technology (industry) is neither a necessary nor a sufficient criterion to establish something like Purpose Ch.

12) cf. WTO (M. Liberios), TSA Draft 4, p. 36 (bottom). – Similar criteria were used by the OECD Draft on TSA (definitive version not yet available) whereas A. Pisarski seems to have envisaged a more "qualitative" approach (cf. Discussion Draft of 5 February, 1998, Section on Fundamental Tourism Activities).

13) Both criteria could be used in combination, too, that way resulting into a broader ("or") or smaller ("and") set of application. In either case the principal situation would not change, i.e. the nature of the first criteria being categorically deviating. Even in the SNA indications can be found that strict I-O-Ch is not what they had in mind: para. 21.99: accordingly, producers of such commodities may be taken into account as "characteristic" even if it is not their primary output.
Once different systems of this kind are admitted: what seems to become the primary problem rather is the link between the different systems. This however requires very special investigation on all levels, and is addressed therefore later on in more detail (Section 5).

1.3 Satellite Accounting: Variations of Meaning

Anyhow, if this is so, then for theoretical as well as for practical reasons, and even in conformity with the SNA, it can be concluded that:

• Ch is a broader concept than I-O Ch alone;
• purpose seems to present a specific additional, categorically different feature in this respect;
• the interlinks between IO and purpose Ch become most interesting.

Is there a common concern of such differentiation of Ch? Apart from some more formal common denominator pointed out later on (Section 2.3) it is the heuristic principle, or option, to find out some important or significant features, not in their own right but as an entry into greater contexts of analytical and explanation coherence. This, however, does not remove the categorically different nature of the two basic criteria of Ch, with only one of them being related to technology. Thus, it must be carefully examined in each case what is actually meant if the term Ch is encountered (and it may even be true that the users of the term were not fully aware of these implications). To provide for utmost clarification the following meanings different by level, categories and context of application may be recapitulated:

Meanings of Characteristicity -

- in view of the relation between ...

(i) ... technology and output: necessity
(ii) ... technology and industry: preponderance (on a given classification level)
(iii) ... industry and output: preponderance (on a given systematic classification level)
(iv) ... purpose and its components: significance (on the respective classification level)
(v) ... purpose and industry: significance of industry corresponding to commodity (on the respective classification level)
ad (i) Strictly speaking, the characteristic output of a certain technology is its necessary output. The appropriateness of the Ch notion may be immediately accepted from the technology’s point of view but is somewhat questionable from the commodities’ point of view because of non-characteristic producers/production (see (ii)).

ad (ii) In principle, to each industry at least one technology is coordinate; further, in certain statistical units different technologies may be combined more or less incidentally so that the relation between industry and technology is not similarly rigorous as in (i). Since industries (and not technologies) are approached statistically it is meaningful to speak of (non-)characteristic technologies with a view to industries (and vice versa).

ad (iii) The “classical” field of Ch (i.e. “I-O Ch”). - Because of the limitations shown in (i) and (ii) the empirical relation is weaker than “necessity”.

ad (iv) The new understanding of Ch as primarily used in Satellite Accounting (SA) standards.

ad (v) The combination of self contained Purpose Ch with I-O, via an industry corresponding (“symmetrical”) commodity breakdown (iv).

Provided that technology, although useful for understanding, is not a practical concept: what remains then is a dualism between industry-output-Ch on the one hand and purpose-components Ch on the other hand. Of course, there is a possibility of linking both concepts but this is not an automatic consequence nor may it invariably be possible.

Therefore, the real meaning of Ch has to be examined, for whether it is meant with a view to I-O, or otherwise: like purpose, or even in combinations.
2. **What does Characteristic really mean? Why is it an important concept?**

In this section first the dual concept of Ch, will be examined for its intrinsic meaning as discussed in Chapter 1 (i.e. I-O Ch vs. Purpose Ch). Indeed, it is only on first sight that Ch may seem a more or less esoteric, sophisticated, academic notion with little practical meaning. In reality, however, it can be shown that it is indispensable for the design of any greater commodity flow system and, even without such broader notion, it can be important for many structural analyses, too. For statistical importance, however, the question of operationalisation is as decisive as the possibility of a generalised design of Ch open for use and under whatever circumstances.

Such general, but still operational criteria is a sort of dependency of B upon A, which is more than mere description of B in terms of its characters. It presupposes separate identities, e.g. input and process, or part and whole, element and system, means and aims, etc. In economics, commodity and industry, needs and means, purposes and requirements may come to one’s mind.

2.1 **I-O Characteristicity**

If commodity information appears in relatively great detail and with exact specification of the origin showing characteristic vs. non-characteristic origin, in terms of the actual producer, this kind of statistics can directly be used to compile production accounts, and commodity accounts, respectively. That way the output pattern and market shares (in terms of characteristic vs. non-characteristic production) become obvious – an important interim step to derive I-O Tables from the SNA’s M-U framework.\(^{14}\)

Another situation in the context of Ch arises when some idea on where do the commodities come from is needed but sufficient information is absent. This idea can still be formed upon the principle of Ch, assuming that a given commodity originates in the industry characteristically producing this type of output. E.g. dependent on the point of observation it is not always possible to obtain reliable information on the true origin of commodity (e.g. in foreign trade statistics). In order to integrate such (obviously important) information in the overall system again resort can be taken to specific arrangements based on Ch: comprehensive commodity (i.e. supply-use) accounts can be established, which are in a way linked to the national producers, by being “fed” through their respective output influx.

\(^{14}\) Non-characteristic production is ubiquitous and there is no means of avoiding non-Ch in statistical observations. It must be eliminated for the I-O model by more theoretical methods, resting on Ch : non-Ch proportions. This type of information is absolutely indispensable.
This is a simple means of applying this kind of Ch through classification systems which must meet the following requirements:

- industry vs. commodity versions must be available;
- both must be compiled in a way so that levels can be easily found of mutual correspondence;
- a 1 : 1 corresponding ("symmetrical") level is identified to serve as the platform of Ch.

Based on similar but reverse logic, and in more generalised terms, Ch becomes the central reference point of the establishment of classifications of industries on the one hand and commodities (goods and services) on the other hand.\(^{15}\)

The above examples can be logically subsumed under "I-O Ch", although practical implication goes far beyond this type of application.

I-O Ch rests on a relation between activities and commodities, deriving from technological necessities and expressed in symmetries of the respective classifications.

### 2.2 Purpose Characteristicity

However, there is another field of Ch, which is purpose related, and therefore not immediately (if at all) linked to I-O contexts. As long as they stand alone such systems may be useful to approach a certain field in terms of suitable structure, possibly able to give a quick, significant, typical overview (to "characterise"...). The question arises: what determines Ch in this case? Obviously some notion of relative importance is needed as well as a certain identification basis of individual elements to be examined for the Ch. For the former, as a working hypothesis at least, another sort of "technological" consideration may help of the kind:

Characteristic elements are those ones which are essential as an "input" for the respective purpose (or function; "condicio sine qua non").

That way "relative importance" derives from "relational importance".

Given a common sense breakdown, or whatever other criteria of identification of the individual elements, the "essential input" idea can serve as a classification and even definition basis of the respective purpose, but without necessary explicit links between

\(^{15}\) The contemporary UN classification family is the most prominent example (cf. A. Pisarski, The Tourism Product Code, July 4, Review Draft 1, Chart 2). It rests on the ISIC-CPA correspondence as the central ("parental") axis.
different systems. Such presentations are analytically useful in their own right, and become all the more so if available intertemporally.

Once dependency has been recognised as an ingredient of Ch the question may arise: what about dependency on a market? Is this possibly also a case of Ch? Obviously this would change the direction of dependency, as compared with usual input understanding (market as an input into supply...?). This is not impossible a priori but has not yet been addressed explicitly in the so far discussion on Ch.16) Since it comes closer to purpose than I-O the usual terms (e.g. Tourism Ch) could be considered in that perspective: then those commodities would e.g. be Tourism characteristic whose producers essentially depend on Tourism markets — a meaning somewhat narrower than usual, but still possible.

Apart from the Ch discussion, however (and its open answer in the present market case), the reverse direction of the working of causality may be critical in analytical contexts, and this criteria must be considered more thoroughly, therefore.

2.3 Combinations & common features

Obviously, usefulness is tremendously increased if such presentation of Purpose Ch can be linked to I-O-characteristic systems. Of course, there will always be limitations of the data breakdown available, mainly for practical reasons of survey. Thus, complete cross classification may not be possible on the level originally intended, but even approximation may be helpful. This kind of application is a combination of I-O Ch and Purpose Ch, usually but not necessarily working from Purpose toward I-O.

Beyond combined application of I-O & Purpose Ch there are also more general, common features with regard to their intrinsic nature, because both represent an essentially relational structure. Dependency in terms of sine qua non is thus a "common denominator", but the assumption of mutuality is not required, and can even be misleading. This is a qualitative rather than quantitative notion and therefore identified by other than mere numerical (quantitative) recognition, which may at best be useful for describing degrees of Ch. That way it becomes also obvious that the importance of Ch is by no means limited to I-O or purpose, but may be expected in all situations where A is a necessary precondition of B, so that B is characterised by A (or, in other words, A characterises B). It is only practical language, which says: B is characteristic of A, that way tending to suggest a reverse direction of dependency like, e.g. "a certain industry is characterised by a certain output profile". This however is confusion of cause and effect because the industry characterises its output, and the former logic is o.k. only if used in order to find the industry corresponding to a

16) A possible term would be „market Ch" (as opposed to I-O or Purpose...)*
certain given commodity but not to determine e.g. industry classifications. On the contrary, the very organising power of Ch rests on a clear uni-directional meaning whereas, otherwise, it must result into nothing but tautological apories.

2.4. Resume

To conclude, Ch is a qualitative notion, hardly exhausted (nor even correctly grasped) by means of quantitative criteria alone. The importance of Ch may be resumed, with a view to its intrinsic properties and capacities in terms of -

- definition
- classification
- integration

Altogether situations are addressed where at least two separate reference points are to be related, contrasted and examined against each other: The relation can achieve different degrees of rigor, from automatic 1:1 relationship to rather loose, volatile, mutually intermediated relationships (e.g. a technological necessity of input as compared with a certain market’s demand for a certain commodity). In statistical terms a variety of key indicators can be devised to signal these various situations of Ch, according to circumstances (e.g. with varying degrees of variance allowed). However, numerical indications would not meet or exhaust the very nature of the dependency situation, which is rooted in the respective reference systems (points, sets, units...), and qualitative in nature, therefore.

Thus Ch is an indispensable element of related model architecture and similar integrating information frameworks as well as of developing definitions and classifications of important segments of the economy per se. It is thus all the more indispensable for Satellite Accounting (SA), which attempts cross section analysis resting on such integrative logic.

However, Ch is per se much broader than usually used in given contexts of actual application, like SNA and SA. It might be indicated to keep an eye on the broader understanding when otherwise scope/comprehensiveness of substructure and analysis would suffer.

It may also be useful to distinguish different degrees of strength of Ch, which are 100 p.c. only in the case of normative definition, like in the case of commodity x industry (which is I-O Ch).
3. Characteristicity concepts which are often not strictly separated (or even confused)

Ch by origin vs. Ch by destination: As pointed out earlier (Section 2.3), Ch requires some relation (between different reference points etc.) to serve as the basis of this notion. Since in economics the distinction of pairs, like origin vs. use (provenience – destinations, supply-use, sources-expenditure, etc.) is almost universal it is probably applicable to Ch, too.

All these pairwise concepts may be applied in a normative as well as in an empirical sense. In the first case an expectation which assumes a certain probability is treated as being a priori “true”. Therefore, such Ch means a sort of a priori, regular ("law type") expression, e.g. I-O Ch, which says that each type of commodity is produced through a certain type of technology, and therefore in typically conditioned industries. Similarly, although less often, such “laws” can refer to destination also, e.g. specifying certain commodities as “consumer goods”. The usefulness of such assertion, however, depends not on any “law” but on the probability of coincidence of reality and the law.

Empirical criteria are usually conceived as depending upon meeting/surpassing a certain quantitative “threshold”. It may be quite interesting e.g. to know whether the content of output not corresponding to a given industry’s classification is less than 10 p.c. of total output (thus signalling homogeneity of this industry’s output profile at a high degree/significance).

However, such situation is not normally transposed into a Ch notion but serves as an empirical basis of forming expectations on probable Ch. The next step than is to formulate a normative notion of Ch, saying that the output of this industry “normally” (as a rule) shows a certain profile, altogether characteristic for that industry’s technology(ies).

However, this notion (normative Ch) may be used in a way which is more prone to empirical application: in this case exceptions are allowed, according to the underlying probabilistic rigor of the respective relation.

Or it is used in a more definitional character. This is an application which is most often found in systems of classifications corresponding to each other, and/or in model type evaluations. A major advantage of the normative nature of Ch that way achieved is its application to whatever situation of appearance of goods & services or industries, respectively, etc.

Referring to intrinsic characters of the respective reference points, some normative (whether probabilistic or definitional) assumption can be based thereupon, and either be used as approximation of reality per se, or possibly tested for its approximation to reality later on.
In summary, it is clear that the establishment of a normative apparatus of this kind is either convention or substitute. In the first case the decision is, so to say, political and can be compared with, but not questioned by, empirical evidence. In the latter case, empirical evidence if deviating may give rise to adaptation of the original conceptual starting basis.

A mixture of both versions in one general concept may be less desirable and could anyhow require careful identification of each category by its respective nature. A reasonable compromise might be to start from a conventional basis but to keep it open for later adjustment, according to empirical evidence coming up subsequently, as another conventional element. This, however, results into overall concepts of scope as well as structures of the respective field which would not appear as being definitively stipulated.
4. **Is commodity the primary notion of Characteristicity?**

Given the before considerations (Section 1; 2) commodity is not the primary notion of the Ch concepts, notwithstanding its predominant role in certain practical applications of Ch. For short the following reasons may be put forward for this conclusion:

- Application of Ch is not restricted to commodity at all, but may be extended to transfers etc. also. \(^{17}\)
- In cases where commodities are at issue the direction of the essential dependency relation must be taken into account: this goes industry → technology, and commodity → industry in the case of I-O Ch\(^{18}\).)
- Only in the case of certain Purpose Ch the "input" character\(^{19}\) of a commodity into that function is decisive.

Accordingly the latter case is most interesting and must be considered more thoroughly. If a given (conventionally pre-specified) purpose depends on commodity the notion of the respective commodity could also by its nature determine that purpose, either alone or in combination with other “input”. There may be different degrees of importance and rigor of proportions, notwithstanding the principal (essential) necessity of some such input. Also the nature of commodity specifications (classifications) may follow different logic, among which I-O is only one certain possibility (although possibly a most useful one).

In summary:

\(^{17}\) More generally, situations where condicio sine qua non-relations are of greater importance so that application of Ch concepts is worthwhile, at all.

\(^{18}\) In I-O analysis technology is (at least co-)dependent on commodity, and in statistical presentations it appears exactly in this way. This kind of dependency is highly characteristic from the point of technology (industry) but much less so from the point of the respective commodity flow because there are usually many more uses of this commodity in different industries. It is normally also not possible to (practically) find direct statistical access to the kind of data needed to extend the chain from

\[(\text{purpose input } \leftrightarrow \text{output} \leftrightarrow \text{industry} \leftrightarrow \text{technology} \]

\[\text{towards} \]

\[\leftrightarrow \text{input of that technology.}\]

On the contrary, this is reserved for the more complicated field of compilation of I-O Tables. However, what is decisive for that the chain must stop at technology is the **compound** character of the commodity input into that technology, which is tantamount to a change in qualities. Therefore no commodity as such characterises the industry processing it, but only in its combination with all other inputs. Therefore, "technological input" is not tantamount to input into "function": the latter input is condicio sine qua non only whereas the former is also structured in fixed proportions and resulting into new quality of commodity. Although sometimes so used the term "technology" in the context of purpose has a completely different meaning from I-O, and so has "input" or "output", respectively.

\(^{19}\) On this terminology see Section 1, footnote \(^{5}\)!
- as a strict criterion, primacy can be judged upon in terms of necessity (condicio sine qua non) only;
- commodity is primary only in the purpose context;
- even in that case a variety of identifications and applications must be expected, I-O being one among them.
The Characteristicity Discussion: Summary of Main Conclusions

- In statistics Ch is an important notion for many theoretical as well as practical applications.

- Over the time the term "Characteristicity" (Ch) has been associated with different meanings, commodity x industry Ch (industry x commodity Ch for short: I-O-Ch) being only one among them.

- I-O-Ch is ultimately based on technological conditionality.

- Purpose Ch may be quoted as another variant of Ch, neither dependent on, nor explained by, technology in any respect, but determined in its own right.

- The common denominator of Ch, in this broader understanding, is a relation between different reference points, as often found between "origin → destination", or "destination → origin", respectively.

- The nature of the relation is dependency of the condicio sine qua non (CSQN) type rather than throughout determination, nor is the direction of determination always a priori clear.

- Commodity is not a general a priori nor even a primary component of Ch; however, if a commodity notion is involved the commodity account is an appropriate means of presentation.

- Ch is a qualitative notion, not exhausted by quantitative parameters alone.

- The application of Ch in an operative statistical concept may be different by context, method and meaning. Main differentiations are by whether it is normative or empirical.

- Combined use of different Ch concepts is possible, and sometimes particularly useful.

- Different concepts of Ch cannot be used to explain the one category of Ch by the other (and vice versa).

- In a greater context, assembling (matching) more than on Ch category, any anticipated deterministic nature of the links is limited (if working at all). Interactive procedures may be needed to find a final answer.
5. How is a Characteristicity based system designed?

5.1 Introduction

Since several different notions of Ch have been recognised it is likely that not all of them work in the same way, and that there are also situations of combined working and interaction. In the present context the satellite accounts (SA) according to SNA '93, Chapter XXI, have to be taken into account more closely, and it will be shown that in this case different notions of Ch are working and interacting simultaneously; and that different pictures emerge depending on the point of departure.

Notwithstanding even broader conceptions, as discussed before the two central Ch notions in this case are:

- Purpose Ch
- I-O Ch

Purpose Ch has first been chosen as a starting point because the notion of SA is essentially purpose based (if with possibly further ingredients\(^{20}\)), as shown in Section 1.2. Interaction, however, may result into a feedback into the starting point so that no definitive answer can be given by the starting point at all or, at least, not for all applications possible. In this respect the SNA proceeds in several steps, or degrees of differentiation, although not always explicitly specified in the text and, therefore, only implicitly derived at several occasions. At least 4 major steps of this kind are distinguished (Exhibit 1).

5.2 Steps of differentiation

1\(^{st}\) step: At the outset, this takes the most important decision between:

- specific goods and services (g & s)\(^{21}\)
- non-specific g & s (i.e. all others).

It is questionable whether the SNA definition of "specific commodities" is per se operational\(^{22}\). However, it shows at least that not everything is allowed to be "specific".

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\(^{20}\) like direct contact with visitors in the case of T

\(^{21}\) Commodities, products, g & s are used interchangeably. Correct use in terms of the SNA '93 is g & s and/or products, respectively.
Speaking about g & s the question about imports arises. Should they be taken into account without differentiation (can they be differentiated in the given circumstances if so needed?)? Since later on SNA introduces reference to national production patterns imports must be excluded (0\textsuperscript{th} degree of differentiation – by origin)

\textsuperscript{22}\textsuperscript{3})

\textbf{2\textsuperscript{nd} step:} Next is the distinction between “characteristic” vs. “connected” g & s. The major point of this distinction is the interest presumably taken in production analysis, which is assumed for the former category only. It has been maintained that in a certain system\textsuperscript{24}), which is a priori open for a great variety of g & s and where interest in production analysis may be more or less universal, therefore, this distinction does not make much sense, and may be dropped, therefore. Indeed, this might be acceptable but there may still some meaning be found in maintaining it:

- it is just recommended by the system;
- such an option can be interesting anyhow;
- often residuals cannot be dissolved.

In addition, the SNA’s proposal may be helpful in an indirect way: to learn that even when purpose is not in the centre there is still some foregoing ranking possible as long as there is primary interest in production analysis. That way (like with the "New Moon") it clarifies that even the characteristic part is not an undifferentiated package of g & s just being characteristic for that purpose but there are things assembled which are in the foreground of interest primarily from the purpose point of view vs. those which are more interesting from supply point of view (if still covered by the respective purpose): this results into differentiation by whether the condicio sine qua non (CSQN) criterion is suitable, or not (1\textsuperscript{st} degree of differentiation - by CSQN).

\textbf{3\textsuperscript{rd} step:} Once CSQN has been introduced one may look even closer into the working of this criteria in terms of reference points and economic effects. It becomes clear that way that even in the primarily purpose based case a similar but more specific distinction may be drawn as before, i.e. by whether dependency is “only” a point for purpose, or

\textsuperscript{22}\textsuperscript{3}) It must be solved by taking resort to the purpose notion on the one hand and to the Ch notion on the other hand; this will be further explained later on.

\textsuperscript{24}\textsuperscript{3}) It will later on be indicated how identification of this kind can be achieved empirically, or more schematically (by assumption), and what to do with imports (if any).

a case for supply also. Indeed these considerations are not only theoretical but of utmost relevance for impact analysis, which depends on such kind of differentiation (2\textsuperscript{nd} degree of differentiation: by dependency).

Additional features which can be taken into account at this step are the way of how additional (marginal increases of) demand impacts on supply, and the strength (rigor) of dependency if it is not only seen as an "either-or" (CSQN) but in terms of causality (cause → effect) rather.

4\textsuperscript{th} (and further) step(s): The before considerations did not distinguish by the breakdown of the g & s information generally but just presupposed that some packages of the 3 or 4 kinds of dependency would be identified. Putting so great emphasis on production analysis, however, the SNA inevitably comes to the point where the question about further classification detail must be answered; the common activity and commodity classifications are relevant here, which are a clear case of I-O Ch. Since these classifications are usually used in combination this must be done with symmetrical versions, and this in a more theoretical and anticipative, normative way because a general answer (comparable and applicable on a worldwide level) cannot be given otherwise. Still, knowledge of prevailing production circumstances can result into conventional activity structures governing commodity structures next, and that way being decisive for the internal structures of the above packages of dependency.\textsuperscript{25)}

Questions to be answered at this place, for instance, are:

- If there is a component of Purpose Ch which is rather small in relation to a respective activity (output) notion, should this then be treated as a strong, very strong or weak (or even very week) dependency situation?
- What is the level of output ratio to be determined so that a characteristic activity is identified?
- How should import proportions be treated which may appear particularly in the case of goods absorbed by the respective purpose?
- Which degree of aggregation of the symmetric classification level is appropriate since there is an obvious interdependency between Ch and that level of detail?

\textsuperscript{25)} Resort to higher aggregation levels of classification, of course, avoids certain difficulties embodied in this kind of comparison but this is veiling the problems rather then solving them.
Altogether such questions shed light upon the fact that there is no unique, automatically found answer on what is a characteristic element of a certain purpose, as represented in a given SA. On the contrary, a lot of convention is needed to find a standard as comparable as possible to be applied at the international level. And clearly, there is an interaction between Purpose Ch, the starting point, and I-O Ch (even if normative)\(^6\), which must be reconciled with the original point of departure.

This kind of reconciliation becomes all the more critical if the circumstances prevailing in a given country are also taken into account (de facto I-O Ch)\(^5\). The full context of I-O characteristic vs. non-characteristic production comes into play, which can be answered only if commodity accounts of the following shape are compiled, as a means to assemble all elements of information in a comprehensive and consistent way, to allow for related subsequent testing (Exhibit 2).

In this account the same packages are distinguished as shown in the 3\(^{rd}\) degree of differentiation, each with a complete, activity symmetric commodity breakdown. In each case () the test would be necessary whether the size of the element of the main diagonal, with a view to total supply, justifies the recognition of the respective industry as purpose characteristic, according to the above dependency distinctions. Most problematic situations may turn out as follows:

- the main diagonal is smaller than imports
- " " " " " non-characteristic production\(^27\)
- " " " " " imports + non-characteristic production

With a view to production analysis (the primary reference point of Ch, as recognised in SNA Chapter XXI), it may be questioned whether the there anticipated 1 : 1 : 1 relationship between purpose : commodity : activity can be maintained any longer, or whether an additional category might be (re-)introduced to serve as a pool of the more problematic items ("connected")?

Finally it should also be recalled there that the Tabulation of the overall system, as used before as the main reference (Exhibit 1), can be read both from the left to the right as well as the other way round. In neither case a perfect answer can be given by one aspect only (Purpose vs. I-O). On the contrary: in this context, it is always necessary to match one aspect with the other, which may, in practice, involve empirical testing and cumbersome iterative work.

\(^{26}\) cf. Section 3  
\(^{27}\) In this case a national industry characteristic for the respective commodity does not exist at all.
6. How to find the respective purpose characteristic industries/branches/activities in the comprehensiveness of real world?

In Exhibit 3 it is attempted to show this procedure “from purpose to industry” in derivative, and more operational terms. Features of presentation are the concepts addressed in the respective reference columns of Exhibit 1 ((0) to (12)) as well as the usual means of presentation associated with the respective steps of derivation (step 1 through 4). The starting point is “purpose specificity”, and “purpose characteristicity”, respectively. The first step is to transform/convert commodities by Purpose Ch into commodities by I-O Ch, as a prerequisite of identification of the associated industries.

As pointed out before, with a view to analysis commodity groupings as well as their coordinate industries may be further differentiated by CSQN, and by even more detailed dependency criteria, thus providing a breakdown most appropriate for various analytical objectives. Since dependency may be difficult to judge upon sometimes, as a practical means, the relative output share of the purpose characteristic commodities can be referred to as an approximation (likely with no alternative).

Even if there was the possibility of further differentiation with a view to Purpose (use) Ch, and different shares of the given purpose, therefore, this is not relevant with a view to I-O Ch, which rests on the idea of an entire homogeneous flow of product output. Therefore, for this calculation the respective demand may be used without further adjustment\(^\text{28}\)) once the corresponding I-O characteristic industry has been identified. Variations due to different aggregate levels of classification, of course, remain.

However, in real world circumstances secondary production, possible absence of primary producers, imports and the like must also be taken into account. This is detected at the level of the identification of the characteristic industries, in their absence leaving this part of identification outside of the production accounts area. In the present context there are no such accounts meaningfully introduced for those appearances, and once this situation has been identified further analysis remains in the commodity area in this respect.

On the part of characteristic producers, however, it becomes now fully clear that

\(^{28}\) e.g. railway travel by distance; long distance may be almost completely touristic but small distance much less so. They altogether are I-O characteristic for railway, which may even cover goods transportation also.
there is a meaningful notion of characteristic producers\textsuperscript{29}, but
that this notion is found in a combined procedure of purpose and I-O criteria; and
that there is further differentiation possible, beyond mere I-O classification, in terms of
dependency, which assumes three variants:

- purpose is dependent on supply, but not vice versa (Ch 1.1);
- purpose as well as supply are mutually dependent (Ch 1.2);
- supply is dependent on purpose but not vice versa (Ch 2).

As pointed out already, Ch 2 is (at least implicitly) intended by the present SNA conception
and this must be recognised in further classification and satellite work. Obviously, also the
distinction 1.1 vs. 1.2 is worthwhile to be taken into account here, as well as the dependency
patterns.

A third variant of the mentioned combination of criteria could be envisaged also, where
neither purpose nor supply are in a way dependent of each other. This, however, is not
intended by the SNA, which takes specific interest in production analysis (cf. footnote \textsuperscript{29}). As
briefly touched upon before, this situation could be used as a point of reference of
identification of (purpose-)connected goods & services.

In empirical circumstances (statistical information as available in a given country) the starting
point of purpose characteristic commodity data may not meet SNA or similar SA standards.
In such situation it may happen that the possible breakdown is limited so that identification of
purpose characteristic industries in terms of I-O Ch is not perfectly possible. Similarly,
elements of Ch 3 may be included in the starting packages, which are to be eliminated later
on, or combined with "connected" notions, as suitable. This difficulty originates in limitations
of the starting information and should be separated from the other difficulty of primary or
secondary producers etc., which is a reflection of a reality rather than a limitation of the data
basis. The latter difficulty can be solved within the I-O model only, and even there not in an
absolutely unambiguous way.\textsuperscript{30}

Finally, Exhibit 4, sequence of Tables 0 to 4, deals with the practical example of the
application of the above discussion to the Tourism Satellite Account (TSA). In this series of
little diagrams product and activity notions on the one hand, and Purpose Ch and I-O Ch
(& Non-Ch, respectively) on the other hand, are used as criteria. Only two branches are

\textsuperscript{29} Per se each producer (i.e. activity) is characteristic for some commodity output, as determined by
technology (see Section 1.1, and footnote \textsuperscript{1}), in particular. It is a different job to identify its Ch with a view
to purpose.
distinguished, the one being purpose characteristic, the other not so. For ease of presentation the former comprises all situations Ch 1.1, 1.2, 2 (but not further followed here because being without any consequential differences on the tabular picture); similarly the category "connected" is omitted. The examples (from a TSA) are even more simple and shown, for illustration only.

Purpose characteristic commodities (products = output) are used as the starting point.

A link is introduced between Exhibit 3 and 4, shown at the bottom of Exhibit 3. The latter focuses on the derivation procedure, the former on the systematic pattern of the crossing of the two Ch categories here at issue (I-O vs. Purpose).

According to certain primary conditions ("constraints") and their successive alleviation the presentations (0 to 4) become more and more differentiated. The mentioned conditions relate to the degree of harmonisation of industry and commodity classification, which is assumed to reach from 1: 1 symmetry to mere compatibility (normally the number of commodities distinguished will be many more than the number of industries). Further, the admittance of secondary production leads to more differentiated patterns. Version 0 to 2 are shown for better understanding whereas version 3 and 4 are those ones which come close to the practical situation, provided that not only two commodities/industries/purposes but a more realistic breakdown is assumed.

On that basis the individual places of Exhibit 4.3, the central version, can now be quickly presented in context:

1.1.1 is obviously most important, reflecting the purpose characteristic output of purpose characteristic industries, which should be predominant or prevailing (by whatever exact specification, e.g. numerically by %-shares).

1.2.1 and 2.2.1 are to show the ubiquitous appearance of not purpose related output which, of course, occurs in purpose characteristic industries, also:

- 1.2.1 is particularly interesting, showing purpose characteristic output but which is not characteristic for that industry in terms of I-O (e.g. ski lift run by hotel located in a skiing resort, in the case of winter tourism).

If starting from an empirical rather than a theoretical basis the direction of derivation within Exhibit 1 as well as the comparison between Exhibit 1 vs. 3 could lead to different results.
2.2.1 is not characteristic in either respect.

1.1.2 and 2.1.1 may seem to be a logically impossible combination because if there is purpose characteristic output which is at the same time I-O characteristic in terms of being primary this cannot happen in a non-characteristic industry. These boxes may therefore be assumed to be zero. This, however, is undoubtedly true only under certain assumptions (constraints; see Exhibit). However, this situation points to a quite tricky classification problem not yet so much discussed and a bit further elaborated, therefore, below.

2.1.2 and 2.2.2 is output of a purpose non-characteristic producer, either primary or secondary respectively, but both outside the scope of purpose characteristic product.

Whereas 1.2.2 is purpose characteristic secondary product in the purpose non characteristic case, a more common situation.

With a view to Satellite Accounting (SA) 1.1.1 & 1.2.1 are likely to represent the core of this system, whereas 2.1.2 and 2.2.2 may rather be left outside at all.

As to the "zero by definition" problem (1.1.2 & 2.1.1) the following may be considered:

- **First**, given a certain industry its I-O characteristic (i.e. primary) output may represent Pp-characteristic output also as well as Pp-non-characteristic output at the same time (in certain proportions). Whether this industry is to be considered Pp-characteristic depends on the prevalence of the Pp-characteristic share in output. Thus, examining a given industry for Pp-Ch its primary Pp-characteristic and non-characteristic output will have to be considered first. If its secondary output (1.2.1) is also Pp-characteristic this could, of course, support its classification as being Pp-characteristic.

- **Secondly**, if different levels of aggregations are used (m > n) the situation on the given industry level may look differently from a possibly underlying lower level, that way not changing the respective output components but the respective output shares, and that way the evaluation of the Pp-character of the entire industry. It becomes thus obvious that relations by cross classification of I-O vs. Purpose are not in a way fixed and unchangeable, but volatile, dependent on product mix and aggregation levels.

This situation is true for the other boxes of the present matrix system, too, but perhaps most pronounced and surprising in this place (1.1.2 & 2.1.1).
With regard to Exhibit 3 the mentioned link may help to recognise the bridge between the procedure of identification of characteristic activities and the information which is necessarily traded in by the identification steps. At the same time it shows also what is automatically left out by the same procedure.

Overall, Exhibit 4 may be referred to as a basic structure which must guide classification work and SA work as well.

Any decision about their design must necessarily be related to one (or more) of the building block(s) shown in that Table. It can at the same time serve as a means to guide presentation and discussion in a most systematic way.
Annex 14

SIXTH MEETING OF THE STEERING COMMITTEE
19-20 March 1998
WTO Headquarters, Madrid
(starting on the 19th at 9.30 a.m.)

COMMITTEE
ON DEFINITIONS AND CLASSIFICATIONS (COD)

TOWARD CONCLUSIVE MEASUREMENT
OF TOURISM IMPACT:
CONSUMER DURABLES IN THE TOURISM SATELLITE ACCOUNT

A paper prepared by
Dr. Douglas C. Frechtling
for the
WORLD TRAVEL AND TOURISM COUNCIL (WTTC)
February, 1998
# TOWARD CONCLUSIVE MEASUREMENT OF TOURISM IMPACT: CONSUMER DURABLES IN THE TOURISM SATELLITE ACCOUNT

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TOWARD CONCLUSIVE MEASUREMENT
OF TOURISM IMPACT:
CONSUMER DURABLES IN THE TOURISM SATELLITE ACCOUNT

A paper prepared by
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A number of nations are developing Tourism Satellite Accounts to compute the economic contribution of tourism to national economies consistently with their systems of national income accounting. While most nations include expenditures of visitors while traveling in measures of economic impact, few currently consider expenditures on tourism-related durable goods bought in anticipation of a trip. This paper provides the rationale for doing so within Tourism Satellite Accounts, offers definitions of tourism durable consumption goods consistent with the System of National Accounts 1993 concept of personal consumption expenditures, and lists examples of such items. Methods for producing estimates of national expenditures on tourism durable consumption goods are presented and a case study of the application of one of these methods is provided. Provisional estimates of tourism durable consumption goods in the U.S. are presented, required research programs are outlined, and a detailed glossary of terms is provided.

Tourism, that is, the activities associated with travel away from a person’s usual environment\(^1\), is a global phenomenon, and most countries of the world are interested in the impact of tourism on their economies. For example, the World Tourism Organization (WTO) documents that 159 of the world’s sovereign nations collect data on the expenditures of inbound international visitors, that is, international tourism receipts (World Tourism Organization 1997a).

Over the last three decades, countries have estimated the economic impact by various measures using various definitions and various methodologies. Such approaches prevent valid comparisons among nations, or even for the same nation over different periods of time, and frustrate business and government attempts to draw valid conclusions about the nature and course of tourism demand in national economies (Frechtling 1994a, 1994b, 1994c, and 1994d). This regime has obscured the substantial, positive role tourism has played in national economies and thwarted business and government attempts to optimize economic programs and policies.

The World Travel and Tourism Council (WTTC) recognized the dearth of crucial tourism intelligence upon its establishment and published the first detailed estimates of world tourism economic impact in 1989. Over the years since, the

\(^1\) The definition adopted by the United Nations and the World Tourism Organization as published in Recommendations on Tourism Statistics, United Nations, New York, 1994, \(^9\)
WTTC has worked to improve its methodologies and to encourage individual countries to improve their measurement and understanding of tourism impact on their national economies (World Travel and Tourism Council 1996).

In the spirit of joining forces to enhance world comprehension of the role of tourism in national economies, WTTC strongly supports the programs of WTO to improve the world's tourism statistics. In 1991, WTTC participated in the international Conference on Travel and Tourism Statistics sponsored by WTO and Tourism Canada in Ottawa, Canada, to discuss various definitions and approaches to providing consistent and comprehensive measures of tourism activity and its impact and developed recommendations for nations to follow (Frechting 1991). The definitions were codified in UN/WTO Recommendations (UN/WTO 1994)). WTTC was instrumental in establishing an international public/private sector steering committee to follow-up on the Ottawa Conference recommendations and to take concrete steps to implement these recommendations.

In addition, the Conference —

recommended that the concept of satellite account system which derives its main aggregates from the United Nations System of National Accounts be supported and that countries introduce such accounting systems into their analytic base for tourism data . . . (SNA1993, ¶98)

This System of National Accounts is a set of guidelines for organizing information about an economy in a useful way. It provides concepts, definitions, classifications, accounting rules, accounts and tables to provide a comprehensive, integrated framework for production, consumption, capital investment, income, stocks and flows of financial and non-financial wealth, and related economic variables. These help us understand the nature of, and the trends in, a national economy. The System is detailed in the manual, System of National Accounts 1993 (United Nations et al. 1993), hereafter referred to as “SNA1993”.

The accounts themselves —

provide a comprehensive and detailed record of the complex economic activities taking place within an economy and of the interaction between the different economic agents, and groups of agents, that takes place on markets or elsewhere. In practice, the accounts are compiled for a succession of time periods, thus providing a continuing flow of information that is indispensable for the monitoring, analysis and evaluation of the performance of an economy over time. (SNA1993, ¶1.1)

The central framework of the SNA is exhaustive and consistent with regard to the economic activities that it covers. Despite its considerable flexibility, the authors recognized that there are certain limitations as to what may be
accommodated directly within the central framework (SNA1993, ¶21.2). For one, the System does not allow conflicting approaches to be covered simultaneously (SNA1993, ¶21.2). Nor does the SNA claim that its categories and concepts are in all cases the only right ones. To meet the needs for analysis of economic sectors that are not explicitly covered in the SNA, “satellite accounts” are recommended:

Satellite accounts or systems generally stress the need to expand the analytical capacity of national accounting for selected areas of social concern in a flexible manner, without overburdening or disrupting the central system . . . . Typically, satellite accounts or systems allow for . . . .

(b) The use of complementary or alternative concepts, including the use of complementary and alternative classifications and accounting frameworks, when needed to introduce additional dimensions to the conceptual framework of national accounts (SNA1993, ¶21.4)

This option has special relevance for tourism analysis. Indeed, SNA1993 specifically suggests the satellite accounting approach for analyzing tourism:

To put more emphasis on the functional point of view, such satellite accounts combine an extension of the kind of activity and product analysis and a generalization of the purposes approach . . . . Such accounts are relevant for many fields, such as culture, education, health, social protection, tourism, . . . . (italics added; SNA1993, ¶21.51)

The Tourism Satellite Account, or TSA, as advocated by the WTO is designed to organize information about the effects tourism activity have on a nation’s production, income, wealth and employment in a way consistent with how other sectors of the national economy are measured in the System of National Accounts. The TSA, then, must follow two rules if it is to be of maximum value for analysis within the SNA framework:

1. It must observe the definitions of tourism and related activities promulgated by the UN and WTO (hereafter UN/WTO);

2. It must conform to the definitions of the major economic aggregates in the SNA and related conventions regarding valuation, timing, location, and other characteristics.

Purpose and Definitions

Over the years, WTTC has developed simulated tourism satellite accounts for a number of countries. These projects have investigated ways of classifying and measuring economic aggregates and their relationships to tourism activities, anticipating the approval of the conventions for establishing a TSA by the WTO.

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2 As this is written, WTO had the third draft of its Tourism Satellite Account framework document under review.
In the course of these investigations, we have found that the SNA1993 central framework and the UN/WTO definitions of tourism consumption require the inclusion of certain consumer durable items in production and income aggregates. Such items have not traditionally been included in national studies of tourism economic impact.

This paper is designed to provide the rationale for doing so, indicate the types of such durables that a country should consider for inclusion in its TSA, and suggest estimation techniques. A case study is presented employing U.S. data and the estimation techniques, and estimates of the total size of tourism consumer durable consumption in the U.S. are related. Finally, further research is recommended and a glossary and list of resources for this paper are presented.

The United Nations and WTO define “tourism” as:

comprising the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. (UN/WTO 1994, ¶9)

When an individual contemplates undertaking tourism, that is, plans a trip or visit to a place outside his/her usual environment, s/he may purchase certain goods and services to be used on this trip and on future trips. While actually traveling, the visitor will ordinarily purchase transportation, lodging and other services, as well as food, beverages and other goods. After returning home, s/he may have film developed (a service) or purchase an alarm clock (a good) or other items used up, broken or lost on the trip. On all three occasions, the expenditures issue from the individual’s tourism activity.

Should that tourism activity not occur, aside from the trivial case where an individual must cancel a planned trip and never travel again, these expenditures would not be made. Thus, we can reasonably assume tourism activity generates certain expenditures in certain places at certain times, and these expenditures have some effect on the economies in which they occur. An acceptable TSA codifies these effects in a manner that allows comparison of the effects of tourism expenditures on an economy to the effects of other types of consumption, and the related value added by institutions serving visitors to that produced by other types of spending. Measures of this value added form the basis for estimating the portion of gross domestic product (GDP) in a country originating in tourism activity.

---

3 A consumer durable is defined as “a consumption good which may be used repeatedly or continuously over a period of more than a year, assuming a normal or average rate of physical usage” (SNA1993, ¶9.38). A consumption good is defined as a good “that is used, without further transformation in production, by households, NPISHs or government units for the direct satisfaction of individual needs or wants or the collective needs of members of the community” (SNA1993, ¶9.41).

4 UN/WTO 1994, ¶42
Consumption is one of the most important main aggregates in SNA1993 and is defined as "an activity in which institutional units use up goods or services" (SNA1993, ¶1.49). Two types of consumption may be distinguished:

- **final consumption**, defined as "the activity of using up goods and services by individual households, government units or NPISHs to satisfy their individual or collective needs or wants" (SNA1993, ¶¶1.49, 9.8); and

- **intermediate consumption**, defined as "the activity of using up inputs into processes of production" (SNA1993, ¶1.49).

Intermediate consumption is a component of national expenditure and an integral part of tracing the so-called "multiplier" effects of tourism expenditures through the economy. However, intermediate consumption is not directly counted as part of a nation’s gross domestic product.

Final consumption, on the other hand, along with capital formation, certain government purchases and net exports, affect the size of a nation’s GDP. Moreover, in a market economy, consumers primarily determine which goods and services shall be provided and in what quantities through their final consumption expenditures. (Baumol and Blinder 1991, p. 858; Samuelson and Nordhaus 1989, p. 41) Finally, measuring the final consumption of individual goods and services associated with tourism activities helps us understand the role of tourism in a national economy and how it influences sales, income, employment and tax revenues throughout this economy through linkages with a host of business enterprises.

The UN/WTO define "tourism consumption" as "the value of goods and services used by or for tourism units (visitors)" (UN/WTO 1994, ¶83). Elsewhere, the UN/WTO make clear that tourism expenditure or consumption should include outlays occurring before, during and after the trip a visitor takes (UN/WTO 1994, ¶88). Following SNA conventions, it is useful to distinguish two types of consumption: final and intermediate (SNA1993, ¶14.111). This distinction leads to the following definitions:

---

5 Non-profit Institutions Serving Households (NPISHs): non-profit institutions which principally engage in the production of non-market services for households and whose main resources are voluntary contributions of households, e.g., trade unions, consumer associations, charities and churches

6 SNA1993 makes the distinction between institutional units making final consumption expenditures, and those which finally acquire them and use them up. Households, NPISHs and government all spend on consumer goods and services, but only households and government actually consume products, since NPISHs transfer to households all goods and services they purchase for consumption (SNA1993, ¶9.8-11).

7 One way to compute a country’s gross domestic product is as follows: final consumption expenditures + changes in inventories + gross fixed capital formation + acquisitions less disposals of valuables + exports of goods and services - imports of goods and services. (SNA1993, Table 2.4)
• **tourism final consumption** — the activity of using up goods and services, without further transformation in production, by individual households, government units or NPISHs in preparation for, during, or as aftereffects of visitors’ trips;

• **tourism intermediate consumption** — the activity of using up goods and services, as inputs into processes of production, that are consumed in preparation for, during, or as aftereffects of visitors’ trips, excluding fixed assets (which consumption is recorded as “consumption of fixed capital”).

Tourism final consumption can be directly compared to final consumption expenditure in the SNA1993 use of income account. Tourism intermediate consumption can be compared to intermediate consumption in the System's production account. It is important to note how the goods purchased are financed. If the purchase of a good related to a trip is financed by a corporation, NPISH or government unit, then it is classified as “tourism intermediate consumption.” However, if it is paid for by the individual visitor, then the good is part of tourism final consumption.

It should be noted that final consumption expenditures refer to the value of residents' final consumption regardless of whether the expenditure occurs within the country or abroad. (SNA1993, ¶9.71) For some purposes, such as estimating the contribution of tourism to a given national economy, it may be important to exclude residents' purchases of goods and services abroad and include purchases of these products within the country by inbound international visitors. But for valid comparisons with total final consumption, tourism final consumption should include residents' purchases abroad.

It is clear that tourism final consumption includes visitor expenditures while traveling on a trip, and before or after a trip (UN/WTO 1994, ¶¶ 85, 88). What is less clear is that certain durable goods purchased by households or on behalf of households for use on more than one trip should be included in the class of tourism final consumption, as well. WTTC contends that both the concept of tourism expenditures and the SNA1993 conventions defining final consumption require the inclusion of certain consumer durable items, as well as the services of second or vacation homes. This inclusion of tourism durable consumption goods is supported by WTO and Statistics Canada, as indicated below.

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8 Indeed, the UN/WTO *Recommendations on Tourism Statistics* explicitly excludes “capital type investments or transactions engaged in by visitors, such as land, housing, real estate, works of art, and other important acquisitions (such as cars, caravans, boats, second houses) even though they may be used in the future for tourist travel purposes” (¶87).
9 Since the services of second homes are not included among consumption goods in SNA1993, we do not address this issue here. It should be noted, however, that WTO concludes that second homes are outside the usual environment of their owners and thus their services are tourism services (WTO 1997b, ¶¶75-77).
Rationale for Recognizing Tourism Durables

Conceptually, tourism durable good purchases issue from tourism activity in the same way that other tourism expenditures do. They are purchased in anticipation of, during, or after a tourism trip, so they are clearly related to tourism activity. Such purchases have impacts on national output, income, and employment similar to visitors’ purchases of non-durable goods and services.

Their distinguishing feature relative to these other expenditures is that the goods purchased can be used on more than one tourism trip, or even partially consumed as non-tourism activity within the usual environment. This raises no obstacles to their inclusion among other tourism commodities in a TSA. There is evidence that when tourism activity declines abruptly, such as in reaction to terrorist threats or energy shortages, purchases of tourism durable goods fall, just as tourism non-durable goods and services do. These and other reasons have convinced WTO and Statistics Canada to include the purchase of certain durable consumption goods among tourism commodities in their tourism satellite account structures (WTO 1997b, ¶97; Lapierre and Hayes 1997, p. xxxix)

We suggest defining tourism consumption goods to be as consistent as possible with the SNA1993 concept and the UN/WTO definitions, to permit valid comparisons with other measures of consumption:

- **tourism consumption good** — a good that is used, without further transformation in production, by households, NPISHs or government units for the direct satisfaction of individual visitor needs or wants or the collective needs of members of the community as visitors or hosts of visitors, in preparation for visitors’ trips, during such trips, or as aftereffects of such trips;

- **tourism durable consumption good** — a tourism consumption good that may be used repeatedly or continuously over a period of more than one year, assuming a normal or average rate of physical usage. (see SNA1993, ¶9.38)

Characteristics of Tourism Durable Consumption Goods

Tourism durable consumption goods have a number of characteristics:

- they are sometimes purchased on a trip but customarily are purchased in the visitor’s usual environment;
- they are usually bought in anticipation of being used on more than one trip;
- they are usually used by a visitor on more than one trip;
- they sometimes stimulate tourism activity, such as when the purchase of a private aircraft encourages the pilot to fly to more places away from home;
they may be used exclusively on trips (e.g., private aircraft, luggage), but many are also used within the users' usual environment, as well.

There are, of course, usually a large number of consumption goods that a national statistical organization must consider in order to prepare a list of consumer durable goods related to tourism, and estimate their consumption value. We can distinguish between two types of consumer durable goods depending on the general venue where they were purchased:

1. the value of tourism consumption durable goods purchased on a trip should be 100 percent attributable to tourism final consumption, so that such goods' treatment will be equal to that accorded non-durable goods purchased on trips

2. a proportion of the value of tourism consumption durable goods purchased before or after a trip (e.g., to replace such a good damaged or stolen on the trip) equal to the proportion of their use on trips should be attributed to tourism final consumption.

The precedent for such an apportionment is found in the treatment of consumer durables in a household including one or more persons who own an unincorporated enterprise. In such a case, durables such as vehicles or furniture may be used partly for business purposes and partly for personal use:

In such cases, the expenditure on the durable purchase should be split between gross fixed capital formation by the enterprise and household final consumption expenditure in proportion to its usage for business and personal purposes. (SNA1993, ¶9.48)

Following the same logic, the cost of a consumption durable good purchased within an individual's usual environment for use on one or more trips should be apportioned to tourism final consumption in the same ratio as the amount of usage of the good on trips normally bears to total usage of the good.

"Usage" may be measured by the length of time the item is employed in its intended purpose or some other measure of the amount of utilization. For example, usage of a tennis racquet can reasonably be measured in terms of the hours or some other unit of time it is used to play and practice tennis. The usage of many tourism durable consumption goods may best be measured by this

---

10 This will necessitate revision of UN/WTO 1994, ¶87.b, which currently excludes such purchases (called "capital-type transactions") from tourism consumption. The purchase of land, housing, real estate, and valuables should continue to be excluded, however, since these are not final consumption purchases but purchases of non-financial assets.

11 The same convention is recommended in SNA1993 for balance-sheet treatment of durable goods owned by owners of unincorporated enterprises that are partly used by the enterprise for production and partly used by members of the household for final consumption (¶13.86).

12 Usage life should, of course, be interpreted as the amount of time a durable good is actually used, rather than its age.
quantity. However, the usage of motor vehicles is customarily measured by the distance they are driven, so this would be the appropriate unit for this item.

As an example of apportioning usage between tourism and non-tourism uses, if an individual buys a tennis racquet on a trip, all of the cost of that racquet should be apportioned to tourism final consumption in the period in which the individual assumed ownership. If that individual buys the racquet near his/her home (i.e., within his/her "usual environment") for use sometimes near his/her residence and sometimes on trips, then the proportion of that purchase price that should be counted as tourism final consumption is equal to the ratio of the number of hours the racquet is used on trips to total hours of use. Practical approaches to estimating such proportions are suggested below.

All tourism durable consumption goods are classified as tourism final consumption. The category of a tourism durable consumption good classified as tourism intermediate consumption is an empty set. Durable goods purchased financed by a business firm and purchased on, or in anticipation of, an employee’s trip are classified as either intermediate consumption or remuneration in kind by the firm rather than consumption goods because corporations do not make final consumption expenditures (SNA1993, ¶¶9.4, 9.51). Durable goods purchased and paid for by a visitor for personal use on a business trip are simply classified as tourism final consumption as any tourism consumer durable good is classified.

Examples of Tourism Durable Consumption Goods

Figure 1 identifies specific durable consumption goods that, if they are acquired for final consumption in a country at all, are likely to be used on trips away from visitors’ usual environments for a significant proportion of their total usage lives.  

There are a host of other durable goods that consumers purchase and may use on a trip which are not listed below, such as business suits and writing pens. Indeed, it is difficult to imagine any type of consumer durable good that could not be used on a trip away from home. However, this list is intended to suggest those durable goods commonly used on tourism trips for a significant proportion of their usage lives.  

13 If the business firm purchased the durable good and then gives it to the employee, this is classified either as intermediate consumption or as employee remuneration in kind. (SNA1993, ¶¶3.38, 6.153, 9.51)

14 The concept of “significant proportion of their usage lives” may vary from country to country. This term is designed to cover durable goods that visitors typically purchase and those less often purchased for tourism but which constitute a significant portion of the sales of the good.
purchased by their visitors. After having achieved an acceptable level of accuracy for these items, the NSO can then investigate measuring expenditures on other durable consumption goods whose roles in tourism expenditures are not so evident.

Figure 1: Consumption Durable Goods to Be Considered for Designation as Tourism Durable Consumption Goods

I. Sporting goods

   A. General
   Badminton racquets and sets
   Baseball/softball equipment
   Basketballs
   Binoculars, spotting scopes, tripods, etc.
   Bowling balls, bags and shoes
   Bows, crossbows, arrows, quivers, etc.
   Climbing equipment (Class B)\textsuperscript{15}
   Field hockey sticks, pads, etc.
   Footballs, pads, helmets
   Games, e.g., bocce ball, darts, playing cards
   Golf clubs, bags, umbrellas
   Guns and accessories
   Hiking boots and apparel
   Hunting/fishing/camping knives
   Ice hockey sticks, skates, pads, helmets, face masks, etc.
   Inline skates, pads, helmets
   Kites
   Lacrosse sticks, pads
   Parachutes and other sky diving equipment
   Pedometers
   Racquetball racquets
   Rink roller skates
   Skateboards, pads, etc.
   Soccer balls, shin guards and other apparel
   Squash racquets
   Tennis racquets
   Volleyball sets, balls, nets, etc.
   Walking sticks/poles

\textsuperscript{15} Distinguishing tourism durable consumption goods as Class A, B or C is discussed below.
B. Water sports equipment (Class B)\textsuperscript{15}
Air tanks and regulators
Beach chairs, tables and umbrellas
Beach towels and blankets
Canoes/kayaks and paddles
Fins, snorkels, masks/goggles
Fishing rods, reels, tackle, other fishing gear
Personal flotation devices
Personal powered watercraft (e.g., power boats, yachts) and accessories, including outboard motors
River rafts
Sailboats and other wind-powered watercraft
Scuba diving masks
Spear guns
Surfboards and related
Water polo balls and goals
Water skis
Wet suits

C. Winter sports equipment (Class B)\textsuperscript{15}
Automobile ski racks
Ice figure skates
Ski boots and accessories
Ski goggles
Ski parkas, pants, suits, hats, gloves, other apparel
Skis, bindings, poles and accessories
Sleds/toboggans
Snowboards
Snowshoes

II. Camping equipment (Class A)\textsuperscript{15}
Backpacks
Camping furniture
Camping stoves
Camping utensils
Canopies, flies, tarpaulins
Canteens/water bottles
Compasses/global positioning systems
Cooking kits
Food coolers and carriers
Lanterns
Outdoor sleeping mats
Portable water purifiers
Sleeping bags
Tents
III. Wearing Apparel
Clothing typical of a specific sport, e.g., golf gloves, hunters’ jackets, fishing hats
Footwear typical of a specific sport, e.g., tennis shoes, climbing shoes
Travel-related clothing and footwear e.g., safari jackets, walking shoes
Protective helmets

IV. Transportation
Aircraft, powered and non-powered, and parts/accessories (Class A)\textsuperscript{15}
Automobiles
Automobile bike racks
Automobile boat racks (Class B)\textsuperscript{15}
Bicycles and accessories
Cyclist helmets
Infant seats
Infant vehicles (e.g., baby carriages, strollers, perambulators)
Motorcycles, motor scooters, motor bikes (mopeds) and accessories
Off-road vehicles, such as snowmobiles and dune buggies
Recreational vehicles (Class A)\textsuperscript{15}
- towable travel trailers
- motorhomes
Tires, batteries, accessories and other motor vehicle parts
Trailers other than camping trailers (e.g., boat trailers, motorcycle trailers) (Class A)\textsuperscript{15}
Trucks

V. Vacation home furniture and equipment (Class A)\textsuperscript{15}
Appliances
- audio and video records, tapes, CDs
- audio equipment: sets, CD players, cassette players, phonographs and accessories
clothes dryers
clothes washing machines
cooking stoves, ranges and ovens
dishwashers
electric blankets
electric floor cleaning equipment
electric personal care appliances
facsimile transmission machines
food mixers
garbage compactors
garbage disposals
garden hoses, tools and related equipment
hand and power tools
home freezers
humidifiers and de-humidifiers
lawn mowers
portable heating equipment
V. Vacation home furniture and equipment - continued
   radio receivers
   ranges, stoves and ovens
   range hoods
   refrigerator
   security/alarm installations
   small electrical kitchen appliances
   smoke alarms and detectors
   tape recorders and players
   telephone answering devices
   telephones and accessories
   television receivers
   vacuum cleaners
   video recorders and players
   window air conditioners
   window, table and floor fans
   Billiard/pool tables, balls, cues, etc.
   Blinds and other window coverings
   Carpeting and other floor coverings
   China, glassware, tableware and utensils
   Computers and peripheral equipment
   Decorative items except valuables
   Health and exercise equipment
   Indoor furniture
   Lamps and other non-fixture lighting
   Mattresses, blankets and other bedding
   Outdoor cooking grilles
   Patio and other outdoor furniture
   Pianos and other musical instruments
   Table tennis sets, paddles, tables, etc.

VI. Other
   Audio tapes and CDs
   Automobile luggage racks (Class A)\textsuperscript{15}
   Books except travel guides
   Cameras and accessories
   Children's books and toys
   Laptop computers/personal digital assistants, modems and accessories
   Luggage: suitcases, garment bags, briefcases, etc. (Class A)\textsuperscript{15}
   Maps (Class A)\textsuperscript{15}
   Musical instruments
   Personal luggage carts (Class A)\textsuperscript{15}
   Pet carriers
   Picnic baskets, plates, utensils, etc. (Class A)\textsuperscript{15}
   Portable radio receivers
   Portable tape and CD players
   Portable telephones
VI. Other - continued
Portable television receivers
Pilgrimage-related religious items, e.g., icons, crucifixes (Class A)\textsuperscript{15}
Slide projectors
Sunglasses
Travel accessories (Class A)\textsuperscript{15}
   calculators/currency converters
   clocks
   clothes irons
   electric shavers
   first aid kits
   flasks and beverage kits
   hair dryers, curling irons
   hot plates
   inflatable pillows
   locks, smoke detectors and other portable personal security devices
   passport wallets and money belts
   portable exercise equipment
   shoe shine kits
   travel/toiletry kits and similar carrying cases
   voltage adapters/converters
Travel guide books, atlases and directories (Class A)\textsuperscript{15}
Umbrellas
Watches

Of course, this list is designed to stimulate consideration of the appropriate items by a national statistical office. The tourism durable consumption goods list for an individual country may differ substantially from Figure 1 depending on cultural behavior and consumer preferences. NSOs, in concert with representatives of tourism agencies and businesses, should adapt this list to reflect the behavior of their own citizens and visitors.

Related Goods and Services

It should be noted that valuables in the System, such as precious metals and stones, jewelry and works of art, are excluded from final consumption (SNA1993, ¶9.45) and included instead among non-financial assets (SNA1993, ¶10.7). These are acquired primarily as stores of value as their prices are expected to rise over time relative to other goods. Consequently, they must be excluded from tourism consumer durable goods, as well. However, jewelry, works of art, and other goods that might be classified as valuables but that are not purchased in expectation that their values will appreciate over time should be included among tourism consumer durable items as long as their average useful life normally exceeds one year.
Consumer durables, particularly high-cost items such as personal motor vehicles, are frequently bought on credit. Any interest or service charges on such transactions, as well as penalty charges for failure to adhere to the conditions of the credit extension, are not to be included in the cost of any durable consumption good under SNA 1993 (¶9.69). Such costs are considered to be interest payments by the consumer on the credit extended by the seller or a financial intermediary and should be included among tourism expenditures on services.

The purchase and ownership of consumer durable goods often generate expenditures on maintenance and repair. For example, automobiles must be serviced, skis must be sharpened and waxed, and furniture in vacation homes must be cleaned. These expenditures fall under the category of consumer services. Should the owner sharpen and wax his/her own skis, this do-it-yourself activity carries no economic value, but the value of the materials purchased to carry out such maintenance or repair should be included in household consumption expenditure (SNA1993, ¶9.61). While these two categories of consumption expenditures are tourism-related, they are not included in the tourism durable consumption good category, but rather among expenditures on tourism-related services or on tourism-related non-durable goods, respectively. The salient point is that national statistical organizations should recognize that including tourism durable consumption goods in their TSA necessitates the inclusion of such expenditures as tourism-related.

This treatment holds for household expenditures on decoration, maintenance and repair of vacation homes, as well (SNA1993, ¶9.59). However expenditures on major improvements of vacation homes, that is, reconstructions, renovations or enlargements to dwellings, are excluded from household consumption expenditure and treated instead as gross fixed capital formation on the part of the owners of these dwellings (SNA1993, ¶9.60).

Frequently, the purchase of a major tourism durable consumption good, such as automobiles, boats and aircraft, may require household payments to government units to obtain various kinds of licenses, permits and certificates (SNA1993, ¶9.62). While these payments are properly recorded in the TSA under tourism-related taxes, national statistical organizations should recognize their connection with the inclusion of tourism durable consumption goods in the TSA.

Consumption Non-durable Goods

There are quite a few goods that consumers buy and may use primarily related to travel away from home but fail to satisfy the definition of durable goods: they are not capable of being used repeatedly or continuously over a period of more than one year, assuming a normal or average rate of physical usage. These might be termed "tourism non-durable consumption goods" and include (but not exhaustively):
• batteries for small appliances
• cosmetics and lotions
• disposable safety razors and blades
• drug preparations
• food and beverages
• laundry detergents and supplies
• motor fuel
• newspapers and magazines
• non-durable toys and sporting goods (e.g., tennis balls)
• photographic film
• shampoos and other hair care products
• stationery and writing supplies
• tobacco products

The purchase of these goods should be included among tourism consumption goods if they satisfy the definition. They differ from tourism durable consumption goods in that their consumption normally occurs in relation to a single visitor trip.

Estimation Methodologies

Tourism durable consumption goods are goods used to directly satisfy visitor needs and wants before, during and after trips and that normally may be used over a period of more than one year. In order to measure the value of a specific class of such goods as part of tourism final consumption, we need to ascertain three quantities:

1. the monetary value of total sales to final consumers (or households) in a country during the accounting period,
2. the proportion of these sales to consumers in their usual environment (i.e., not purchased while on trips), and
3. the proportion of usage of tourism durable consumption goods attributable to tourism.

The arithmetic product of these three quantities is the value of a specific class of consumer durable goods that should be included in tourism consumption.

Following SNA conventions, the value of these purchases are recorded at purchaser’s prices, that is, including the sales receipts of retailers plus any taxes on the goods which may be payable at the time of purchase (SNA1993, ¶9.66). Such taxes include value added taxes, excise taxes, and retail sales taxes.
Estimating Tourism Durable Sales to Consumers

Estimating the value of tourism durable consumption goods acquired by a country's residents requires a sample survey of households to determine the goods acquired, purchase venue (usual environment or trip), usage venue (usual environment or trip), whether received from NPISHs or government units, and value. This survey, when projected to the population of all households in the country, provides the estimates of the monetary value of total sales to final consumers (or households) in a country during the accounting period required to begin the process. The sample survey begins with a listing of all households in the country. Next, a sample of households to be interviewed is drawn from this listing according to commonly accepted statistical principles of sampling.

Next, survey interview forms or questionnaires should be developed. NPISHs and government units sometimes purchase consumer goods and deliver them to households at no cost or at below market costs. Since these are ultimately used by households as final consumption, they should be included in the category. This requires that the forms or questionnaires ask householders about total tourism consumer durable goods acquired during the accounting period (usually the previous year). Household respondents should be asked to enumerate such durable consumption goods purchased during the accounting period and their costs by the following categories:

1. those purchased by the household while on a qualifying trip away from home and their values ("Type 1 durable goods");
2. those purchased before or after a trip but qualifying as tourism durable consumption goods and their values ("Type 2 durable goods");
3. those received from NPISHs or government agencies free or at below market prices and the amount the household had to pay for each ("Type 3 durable goods").

Finally, the survey should be conducted, the results processed, and conclusions drawn about residents' acquisition of such goods by kind of good and by the three individual types.16

The same survey can also be used to determine the proportion of the durable goods sales in a year that can be attributed to tourism by adding questions about usage venues for each item (see discussion below).

Some countries have highly developed national statistical systems that might provide annual estimates of the retail sales of a number of the individual tourism durable consumption goods suggested for inclusion in a Tourism Satellite

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16 The sample survey process is described in detail in WTO 1995c, chapter 5, and WTO 1995d, chapter 5. For an example of a continuing household survey that could be adapted to provide details on all tourism durable consumption goods and their values attributable to tourism travel, see U.S. Bureau of Economic Analysis, BLS Handbook of Methods, U.S. Government Printing Office, Washington, D.C., 1992, pp. 170-175.
Account. If such data are available, then surveys of households might be limited to determining the proportion of such goods purchased in the U.S. that was purchased within the usual environment and the proportions of usage on trips, as discussed below. However, sales to inbound international visitors must be subtracted from the total, and U.S. outbound visitor purchases abroad must be added in, to achieve estimation of final consumption of these goods by U.S. residents.

Estimating proportions attributable to tourism

Once the total retail value of each tourism durable consumption good under consideration is established for a year, the next step is to estimate the proportion of annual retail sales are to residents for use in relation to trips away from home. Once these proportions are obtained, they are multiplied by the appropriate total retail sales and the product is tourism durable good consumption for the product for the year.

A review of the items listed in Figure 1 suggests tourism durable consumption goods fall into several different categories in terms of proportions of usage on trips.

Some of these products are, by their nature and the UN/WTO tourism definitions, virtually 100 percent used in preparation for, during, and after trips away from home. These include recreational vehicles, travel guide books, luggage, and camping equipment.

Some of the durable items are specifically designed for use on trips away from home. These include luggage and the class of items in Figure 1 termed "travel accessories". These accessories are usually smaller and lighter in weight than their counterparts used at home. While they may be used at home, a fair presumption is that they will be used predominantly or exclusively on trips.

Other items characterized by near 100-percent tourism usage include durables installed in second or vacation homes. Such housing, while not included among durable consumption goods in the System, is considered to be devoted to tourism activity since it, by definition, is located outside of the traveler's usual environment. Thus, the furnishings and fixtures of a second home must all be attributed to such travel, as well.

These durable goods whose usage occurs 100 percent or nearly 100 percent on tourism trips are termed "Class A tourism durable consumption goods" (certain items are so marked in Figure 1). Consequently, a country can assume that all of the sales of such items to resident consumers in a given year should be attributed to tourism final consumption.
A second category, called “Class B tourism durable consumption goods”, comprises those durable items whose tourism usage depends on the location of the owner’s residence. For example, if the owner of scuba diving equipment lives near a bay, then equipment may have little tourism usage. On the other hand, if the owner lives far from suitable diving sites, then his/her diving equipment is totally tourism-related. Other items dependent on their owners’ residence locations for tourism content include other water sports equipment, winter sports equipment, camping equipment, and off-road vehicles (certain items are designated “Class B” in Figure 1).

Such information can be used to a country’s advantage to determine the average proportion of the sales of such goods that should be attributed to tourism final consumption. One approach is to survey visitors to the types of places where such specialized equipment can be used to determine visitors’ proportion of the total attendance and apply this proportion to national sales. For example, if 80 percent of domestic skiers surveyed during a year at ski fields and resorts in a country are away from their usual environment, then we can assume that 80 percent of the ski equipment purchased by residents during the year falls under tourism durable consumption goods. Another approach is to estimate the percentage of the country’s population that purchase a particular Class B item during a year that reside outside locations relevant to the usage of that item. This proportion can then be applied to national sales of the item during the year.

Finally, the remaining potential tourism durable consumption goods listed in Figure 1 fall in Class C: legitimate tourism durable consumption goods whose proportion of tourism consumption cannot be assumed based on their nature (e.g., luggage, recreational vehicles), their location (i.e., in second homes), or the residence of their owners (e.g., water sports equipment, winter sports equipment). The proportion of the visitor usage of any Class C good must be determined through sample surveys, either of visitors or of residents in their homes (i.e., through household surveys). WTO 1995c, chapters 3 and 5, and WTO 1995d, chapter 5 provide useful instructions on conducting such surveys.

Case Study: Recreational Vehicles in the U.S.

The case of recreational vehicle purchases by U.S. consumers in 1995 is presented here as an example of the estimation of the value of a tourism durable consumption good. A recreational vehicle is defined as a vehicular-type unit primarily designed for recreational, camping, travel, or seasonal use which has its own motive power, or is mounted on or towed by another vehicle. There appear to be no data on final consumption expenditures on these items (method 1 above) or information on retailer sales (method 2). Fortunately, there are comprehensive and reliable data from the manufacturers of these vehicles that can be used to estimate consumption of this tourism durable good by U.S. residents.17

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17 We are grateful to the Recreational Vehicle Industry Association (U.S.A.) for providing the data analyzed here.
The necessary characteristics of recreational vehicle shipment activity are shown in Table 1. For the purposes of this analysis, recreational vehicle (RV) shipments are broken down into two categories — towables and motorhomes, and conversion vehicles — because their export and intermediate consumption values differ significantly. (See the Glossary for definitions of these terms.)

The Recreational Vehicle Industry Association indicates that the retail value of shipments is an unbiased estimate of retail sales because dealer inventories do not change significantly from year to year. The Association is the source of all estimates in Table 1, except for the proportion of visitor usage is of total consumption of conversion vehicles (step 8). No information is available a this time on how much in RV sales are to residents in their usual environments. Assuming 100 percent hear suggests a downward bias to the final estimates.

Table 1: Computing U.S. Recreational Vehicle Shipments that are Tourism Consumer Durables, 1995 ($ values in millions)

<table>
<thead>
<tr>
<th>Step</th>
<th>Estimation process</th>
<th>Towables and motorhomes</th>
<th>Conversion vehicles</th>
<th>All recreational vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total retail value of shipments</td>
<td>$5,925</td>
<td>$6,210</td>
<td>$12,134</td>
</tr>
<tr>
<td>2</td>
<td>less proportion to fixed capital formation</td>
<td>1.14%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>less proportion sold to inbound visitors</td>
<td>0.00%</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>less proportion going to other export sales</td>
<td>5.77%</td>
<td>0.01%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>plus value of units purchased abroad</td>
<td>$0.0</td>
<td>$0.0</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>equals value of total personal consumption</td>
<td>$5,515</td>
<td>$6,209</td>
<td>$11,724</td>
</tr>
<tr>
<td>7</td>
<td>multiplied by proportion of sales occurring in residents' usual environments</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>multiplied by proportion visitor usage/final consumption</td>
<td>100.0%</td>
<td>36.8%</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>equals total RV tourism durable consumption sales.</td>
<td>$5,515</td>
<td>$2,285</td>
<td>$7,800</td>
</tr>
</tbody>
</table>

While towable RVs and motorhomes are virtually 100 percent used for travel away from the usual environment, vans, pickup trucks and sport-utility vehicles that are modified for transportation and recreatonal use (carpeting, special seats, sofas, etc. added) are used much as other personal motor vehicles.
Consequently, we employed the percentage of use of the average personal automobile or truck for trips out of the usual environment (36.8 percent) found in our major study of tourism expenditures in the U.S. economy (WTTC 1997, p. 193).

The estimation process indicates that the value of RV sales as tourism durable consumption equaled $7.8 billion in 1995, or more than 64 percent of all U.S. RV sales for the year. The other 36 percent of sales were either exported to non-residents or used for non-tourism purposes by U.S. residents.

Tourism Durables and Policy Analysis

The purchase of tourism durable consumption goods is related to tourism in the same way that other tourism expenditures are: as travel increases, tourism durable consumption increases. For example, the Recreational Vehicle Industry Association’s consumer surveys have found that those RV owners who travel the most away from home in a year are the most likely to purchase a new vehicle in the following year.

This produces salutary effects on the localities, regions and nations where the purchases occur. Consequently, measuring and understanding tourism durable consumption provides important intelligence for public policy-making regarding:

- national and regional economic development strategies,
- government taxation, fees and regulation,
- future investment in tourism resorts and other superstructure projects,
- requirements and financing mechanisms for public infrastructure investments,
- international flows of traveler payments,
- foreign exchange needs and resources,
- petroleum usage priorities in times of shortage,
- international agreements on trade in services.

In short, wherever understanding of tourism expenditures aid development of informed public policies, information on tourism durable consumption expenditures will be helpful, as well.

In addition, unlike most non-durable tourism products visitors purchase, tourism durable consumption may stimulate tourism activity. The ownership of a recreational vehicle, camping equipment, skis and other recreational equipment can encourage leisure travel away from home. For example, anecdotal information on purchases of RVs by retired Americans indicates they spend more time traveling away from home in a year and travel more miles than they did before their first RV purchase. This suggests a new line of research addressing
tourism durable consumption purchases as advance indicators of certain types of leisure travel.

**Provisional Estimates of U.S. Tourism Durable Consumption**

Table 2 provides provisional estimates of the categories in "Table 2.6: Personal Consumption Expenditures by Type of Product", published periodically by the U.S. Bureau of Economic Analysis (e.g., Bureau of Economic Analysis 1997, p. 59). The first column shows the categories listed under "durable goods" in the table. Column 2 shows the estimates published by BEA for 1995 (Ibid.). WTTC does not necessarily endorse these as the correct or even the most useful categories for inclusion in a tourism satellite account. They have the virtue only of being the subcategories in the current BEA personal consumption accounts and thus are useful for discussing the estimation of tourism durable consumption goods within the U.S. context at the current time.

Line 1 covers consumption expenditures on personal motor vehicles, including automobiles, pickup trucks, recreational vehicles and motorcycles. New vehicle sales include purchasers' prices of these vehicles, while used auto purchases are valued only at the margin between the dealers' costs and purchasers' prices of used vehicles.

Lines 2 through 5 show various categories of home furnishings, for use in determining personal consumption of these in second, or vacation, homes. Lines 6 through 10 show other durable goods listed by BEA.

Lines 11 and 12 in Table 2 are additions to the BEA table to cover clothing and shoes. These categories are defined to be nondurable goods by BEA. SNA1993 defines consumer durable goods as consumption goods "which may be used repeatedly or continuously over a period of more than a year, assuming a normal or average rate of physical usage" (¶9.38). We believe this definition legitimately embraces clothing and shoes.\(^{18}\)

"Column 3. Tourism proportion" shows the share of personal consumption of each durable that can be attributed to tourism activity. These should be considered provisional pending examination of the uses of the individual commodities selected from Figure 1 for inclusion in a tourism satellite account.

The proportion shown for motor vehicles and parts (line 1) is derived from WTTC into the proportion of the annual mileage of the average automobile or other personal motor vehicle that is generated by tourism trips by U.S. residents. (WTTC 1997, p. 193)

\(^{18}\) It is noteworthy that BEA characterizes durable goods as having "an average life of at least 3 years" (BEA 1990, p. 13), which may explain why clothing is excluded from consumer durables in the U.S. National Income and Product Accounts
The proportions shown in lines 2 through 5 reflect the ratio of "seasonal homes" to occupied housing units plus seasonal homes as determined by the U.S. Census Bureau's American Housing Survey in 1993.

Table 2: Provisional Estimates of U.S. Tourism Durable Consumption Expenditures, 1995 ($billions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Motor vehicles and parts</td>
<td>$254.8</td>
<td>36.8%</td>
<td>$93.8</td>
</tr>
<tr>
<td>2. Furniture, including mattresses and bedsprings</td>
<td>48.0</td>
<td>3.2%</td>
<td>1.5</td>
</tr>
<tr>
<td>3. Kitchen and other household appliances</td>
<td>27.2</td>
<td>3.2%</td>
<td>0.9</td>
</tr>
<tr>
<td>4. China, glassware, tableware and utensils</td>
<td>25.3</td>
<td>3.2%</td>
<td>0.8</td>
</tr>
<tr>
<td>5. Other durable house furnishings</td>
<td>54.5</td>
<td>3.2%</td>
<td>1.7</td>
</tr>
<tr>
<td>6. Video and audio products, computing equipment, and musical instruments</td>
<td>85.2</td>
<td>5.6%</td>
<td>4.8</td>
</tr>
<tr>
<td>7. Ophthalmic products and orthopedic appliances</td>
<td>13.1</td>
<td>5.6%</td>
<td>0.7</td>
</tr>
<tr>
<td>8. Wheel goods, sports and photographic equipment, boats and pleasure aircraft</td>
<td>39.1</td>
<td>39.2%</td>
<td>15.3</td>
</tr>
<tr>
<td>9. Jewelry and watches</td>
<td>39.3</td>
<td>5.6%</td>
<td>2.2</td>
</tr>
<tr>
<td>10. Books and maps</td>
<td>22.1</td>
<td>5.6%</td>
<td>1.2</td>
</tr>
<tr>
<td>11. Shoes</td>
<td>36.8</td>
<td>5.6%</td>
<td>2.1</td>
</tr>
<tr>
<td>12. Men's women's, children's' clothing except shoes</td>
<td>218.0</td>
<td>5.6%</td>
<td>12.3</td>
</tr>
<tr>
<td>Total durable consumption expenditure(^1)</td>
<td>$863.4</td>
<td>15.9%</td>
<td>$137.3</td>
</tr>
<tr>
<td>Total personal consumption expenditure</td>
<td>$4,958</td>
<td>2.8%</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\)Bureau of Economic Analysis durable consumption expenditures plus clothing and shoes.

Sources: Columns 1 and 2 from Bureau of Economic Analysis 1997, p. 59; other columns: see text.

Note: details may not add to totals due to rounding.
The proportions for lines 6 and 7, and 9 through 12 are derived from the 1995 American Travel Survey estimates of the number of nights U.S. residents spend traveling 100 miles or more away from home (Bureau of Transportation Statistics 1997). To this estimate was added one for each person-trip recorded to arrive at a measure of days these travelers spent away from home. The proportion shown in column 3 for these items is the ratio of the estimated person-days U.S. residents spent traveling away from home in 1995 to the product of the U.S. resident population for year multiplied by 365. As such, it is a measure of the proportion of time Americans spent traveling away from home for the year.

The tourism proportion for line 8 (wheel goods, sports and photo- graphic equipment, boats and pleasure aircraft) is derived from WTTC research into the usage of component items on trips away from home (WTTC 19967, p. 194).

Overall, this provisional estimation indicates that more than $137 billion was spent by U.S. residents on tourism durable consumption goods in 1995. This comprised 16 percent of total expenditures on durable consumption goods and 2.8 percent of total U.S. personal consumption expenditures for the year.

It must again be stressed that these figures are not final but only indicative of the magnitude of tourism durable consumption good expenditures in the U.S. economy. More accurate and valid estimates can only be derived by investigating the tourism usage and purchase venue of each item in Figure 1.

**Required Research Programs**

Each country that undertakes to develop a tourism satellite account should investigate the role of tourism durable consumption good expenditures. Valid and accurate inclusion of these tourism expenditures will require research in seven areas:

1. the specific durable goods that are selected for inclusion in the category of tourism durable consumption goods,
2. the total value of resident consumer purchases of each chosen good for each year,
3. the average proportion of this total value for each good that represents purchases in residents' usual environments, as opposed to purchases on tourism trips,
4. the average proportions of usage of each durable good that results from tourism activity,

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19 The reader will note that most of the tourism proportions in Table 2, column 3, are relatively small: less than 6 percent. It should be noted that these usage proportions relate to classes of items rather than individual tourism durable consumption goods. We recommend that the individual items listed in Figure 1, rather than classes of items, be examined for their proportion of tourism usage to fairly isolate those products that are often purchased for tourism use or whose tourism purchases comprise a significant share of total annual sales.
5. the value represented by tourism durable consumption goods received by households from NPISHs or government agencies free or at below market prices,
6. the portion of the purchases of each good that occur while the resident is traveling abroad,
7. the value of inbound international visitor purchases of tourism durable consumption goods in the country.

Items 1, 2, 3, 4 and 5 are used to estimate the value of the tourism durable consumption good component consistent with final consumption expenditures in the SNA1993 use of income account. In order to estimate tourism’s contribution to a nation’s GDP, item 6 must be subtracted from resident consumption of each tourism durable consumption, while item 7 must be added for each item to reach this value.

We recommend that national statistical offices undertaking TSA development show tourism durable consumption goods as separate items in the tourism-related use of income account since the character, usage and impact of such goods are distinct from other categories of tourism expenditures.

Conclusion

Tourism durable consumption goods have important implications for development of tourism satellite accounts by nations. Tourism durable consumption goods form an essential category of tourism expenditures because they meet the criteria for being generated by tourism activity and can be measured consistently with final consumption in the SNA 1993 use of income account. Along with other goods and services purchased during a trip, or in anticipation of it or as a result of it, tourism durable consumption goods round out a conclusive concept of tourism expenditures and guide their measurement.

Consequently, the value of tourism durable consumption, by both residents and inbound international visitors, should be estimated as part of any comprehensive TSA. The resulting, comprehensive measure of tourism consumption can be compared directly to other consumption expenditures for analysis. Moreover, the value of the individual products purchased in a year are input into input-output tables for determining the value added by a country’s business, non-profit and government sectors in serving visitors’ needs. These measures then constitute the share of that nation’s gross domestic product generated by tourism in the year. This can then lead to further analyses of the impact of tourism on capital investment, overall employment, and personal income in a country.

In this way, governments, businesses and citizens can make informed decisions about future economic growth and development and the role tourism will play, rather than choices restricted and even distorted by an incomplete understanding of the alternative futures truly available to them.
Glossary

The following is designed to define many of the terms employed in the document. Terms in bold are defined herein. The ¶, Table and Annex references herein relate to specific paragraphs, tables or Annexes in SNA1993 unless another source is given. See the Resources section following for detailed citations for sources.

Account — a tool which records, for a given aspect of economic life, the uses and resources or the changes in assets and the changes in liabilities and/or stock of assets and liabilities existing at a certain time (¶2.85); accounts can be built up for institutional units and sectors, transactions, rest of the world, assets and liabilities, establishments and industries, products, and purposes (¶2.86)

Assets — entities that are owned by an institutional unit or units, and from which economic benefits are derived by their owner(s) by holding or using them over a period of time, includes financial assets, fixed assets, and naturally occurring (i.e., non-produced) assets, such as land, fuel reserves, uncultivated forests and wild animals (¶1.26, 10.2); some benefits are derived by using such assets (e.g., buildings, machinery), some benefits consist of property incomes and some benefits are derived by disposing of the asset to realize the capitalized values of the benefits still remaining (¶10.3); most consumer durable goods, human capital, culture as such and natural resources that are not capable of bringing economic benefits to their owners are outside the scope of assets in the System (¶2.41); the value of assets are recorded in balance sheets as if they were acquired on the date to which the balance sheet relates (¶10.13); may be financial assets or non-financial assets; assets and liabilities denominated in foreign currencies should be converted into the national currency at the market exchange rate (mid-point between buying and selling spot rates) prevailing on the date to which the recorded entry relates (¶13.35)

C.i.f. price — often the price recorded in customs documentation on imports, this price includes the cost of the good as it leaves the exporting nation plus insurance and freight costs required to deliver it to the importing country’s frontier. (¶14.40)

Cash — currency and transferable deposits (¶3.70)

Central government — the government unit with political authority over the entire territory of a country (¶4.118); includes non-profit institutions that are controlled and mainly financed by central government (¶4.117)

Class A tourism durable consumption goods — tourism durable consumption goods where usage on tourism trips constitutes 100 percent or nearly 100 percent of their total annual usage; consequently, a country can assume that all of the sales of such items in a given year should be attributed to tourism final consumption

Class B tourism durable consumption goods — tourism durable consumption goods where the proportion of tourism usage is of total annual usage depends on the location of the owner’s residence; for example, skis and other ski equipment would be 100 percent tourism usage for owners who do not have any opportunities to ski within their usual environment

Class C tourism durable consumption goods — legitimate tourism durable consumption goods whose proportion of tourism usage cannot be assumed based on their nature (e.g., luggage, recreational vehicles) or based on their location in second homes as Class A goods are, or based on the primary residence of their owners, as Class B goods are.
Compensation of employees — the total remuneration, in cash or in kind, payable by an enterprise to an employed worker in return for work done by the latter during the accounting period; recorded on an accrual basis; excludes taxes payable by the employer on the wage and salary bill (¶7.21); has two main components: wages and salaries, and the value of social contributions payable by employers (¶7.31)

Consumer durable — a consumption good which may be used repeatedly or continuously over a period of more than a year, assuming a normal or average rate of physical usage (¶9.38)

Consumption — an activity in which institutional units use up goods or services (¶1.49); this is comprised of final consumption and intermediate consumption.

Consumption good — a good that is used, without further transformation in production, by households, NPISHs or government units for the direct satisfaction of individual needs or wants or the collective needs of members of the community” (¶9.41).

Consumption of fixed capital — the decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer as a result of physical deterioration, normal obsolescence or normal accidental damage (¶¶6.179, 10.72, 10.118); calculated on the basis of the estimated opportunity costs of using the assets at the time they are used, as distinct from the prices at which the assets were acquired; formally, the present discounted value, calculated at the average prices of the period, of the stream of rentals that the owner could expect if it were rented out to producers over the remainder of its service life (¶10.118); this term is used in the System to distinguish it from “depreciation” as typically measured in business accounts (¶6.183)

Conversion vehicle — vans, pickup trucks and sport-utility vehicles manufactured by an auto maker then modified for transportation and recreation use by a company specializing in conversion vehicles; these changes may include windows, carpeting, paneling, seats, sofas, and accessories; a type of recreational vehicle (RVIA 1996, p. 21)

Disposable income — represents the maximum amount that a household or other unit can afford to spend on consumption goods or services during the accounting period without having to finance its expenditures by reducing its cash, by disposing of other financial or non-financial assets or by increasing its liabilities (¶8.15)

Dwellings — buildings that are used entirely or primarily as residences, include any associated structures, such as garages, and fixtures customarily installed in residences; includes houseboats, barges, mobile homes and caravans used as principal residences and historic monuments identified primarily as dwellings (Chapter XII Annex)

Economic territory of a country — the geographic territory administered by a central government within which persons, goods, and capital circulate freely; includes (a) the airspace, territorial waters, and continental shelf lying in international waters over which the country enjoys exclusive rights or over which it has, or claims to have, jurisdiction with respect of the right to fish or exploit fuels or minerals below the sea bed, (b) territorial enclaves in the rest of the world (clearly demarcated areas of land which are located in other countries and which are used by the government which owns or rents them for diplomatic, military, scientific, or other purposes, such as embassies, consulates, military bases, scientific stations, information or immigration offices, and aid agencies, with the formal political agreement of the government of the country in which they are located), and (c) any free zones or bonded warehouses or factories operated by offshore enterprises under customs control (¶14.9); the economic territory of an international organization consists of the territorial enclave, or enclaves, over which it has jurisdiction; consequently, the economic territory of a country does not include the territorial enclaves used by foreign governments or international organizations
which are physically located within the geographical boundaries of that country (¶14.11)

Employee — called an "employed worker" in the System, a person who is engaged in an activity that falls within the production boundary of the System who has a formal or informal agreement with an enterprise, normally entered into voluntarily by both parties, where by the person works for the enterprise in return for remuneration in cash or in kind, normally based on either the time spent at work or some other objective indicator of the amount of work done (¶7.23)

Enterprise — an institutional unit in its capacity as a producer; an enterprise may be a corporation, quasi-corporation, a non-profit institution or an unincorporated enterprise (¶5.1)

Establishment — an enterprise or part of an enterprise that is situated in a single location and in which only a single productive activity is carried out or on which the principal activity accounts for most of the value added (¶5.21); it is not possible to envision a complete set of accounts including balance sheets for an establishment (¶5.24)

Expenditure — the values of the amounts the buyers pay, or agree to pay, to sellers in exchange for goods or services that sellers provide to them or to other institutional units designated by the buyers (¶9.22); in the System, expenditures are attributed to the units that ultimately bear the costs as distinct from the units that may make payments to the sellers (¶9.23); expenditures occur at the times when buyers incur liabilities to sellers, usually when the ownership of the good is transferred to the new owner or the delivery of a service by a producer is completed to the satisfaction of the consumer (¶9.24); if a good, service or asset other than cash is used in the exchange, values must be imputed for the expenditures (¶¶9.27-28)

Final consumption — the activity of using up goods and services by individual households, government units or NPISHs to satisfy their individual or collective needs or wants, whether the institutional unit has purchased the good or service or not (¶¶1.49, 9.8, 9.74); expenditures are attributed to the institutional units that bear the costs even if they are not the units to whom the goods and services are delivered (¶¶9.8, 9.74); includes expenditures on education (¶1.53); distinguished from intermediate consumption; corporations do not make final consumption expenditures but purchase goods and services for intermediate consumption or for employee remuneration in kind (¶9.4)

Financial asset — an asset that entitles its owner, the creditor, to receive a payment or series of payments from the other unit, the debtor, in certain circumstances specified in the contract between them (¶10.4); these assets are classified in the System under seven major categories: monetary gold and special drawing rights (SDRs), currency and deposits, securities other than shares, loans, shares and other equity, insurance technical reserves, and other accounts receivable/payable (¶11.1)

Financial account — this account records all transactions that involve financial assets and liabilities and that take place between institutional units and between institutional units and the rest of the world (¶11.1); it indicates how deficit, or net borrowing, sectors obtain the necessary financial resources by incurring liabilities or reducing assets and how the net lending sectors allocate their surpluses by acquiring financial assets or reducing liabilities (¶11.5)

Fixed assets — produced assets (mostly machinery, equipment, building or other structures but also including some intangible assets) that are used repeatedly or continuously in production over several accounting periods (i.e., more than one year) (¶1.49); households cannot own fixed assets for final consumption: rather these are dwellings or consumer durable goods (¶¶13.16, 15.87)
GDP — see gross domestic product

Goods — physical objects for which a demand exists, over which ownership rights can be established, and whose ownership can be transferred from one institutional unit to another by engaging in transactions in markets; the separation of the production of a good from its subsequent sale or resale is an economically significant characteristic of a good that is not shared by services, the other type of output (¶6.7)

Government units — unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area; when viewed as institutional units the principal functions of government are to assume responsibility for the provision of goods and services to the community or to individual households and to finance their provision out of taxation or other incomes; to redistribute income and wealth by means of transfers; and to engage in non-market production (¶4.104)

Gross domestic product (GDP) — equal to the sum of the gross value added of all resident institutional units engaged in production plus any taxes, and minus any subsidies on products not included in the value of their output (¶1.28); it is the sum of gross value added of all resident producer units plus that part of taxes less subsidies on products which is not included in the value of output (¶2.172); it is also equal to the sum of the final uses of goods and services (i.e., all uses except intermediate consumption) measured in purchasers' prices, less the values of imports of goods and services (¶2.173); it is also equal to the sum of primary incomes distributed by resident producer units (¶2.174); from the expenditure side, it is defined as household final consumption expenditure at purchasers' prices plus non-profit institution final consumption at purchasers' prices plus government final consumption at purchasers' prices plus gross fixed capital formation at purchasers' prices plus acquisition less disposals of valuables at purchasers' prices plus changes in inventories plus exports at purchasers' prices at frontier (f.o.b.) minus imports (f.o.b.) (¶6.237); it is not intended to measure the production taking place within the geographic boundary of the economic territory (¶6.239);

Industry — a group of establishments engaged in the same, or similar, kinds of productive activity; at the most detailed level of classification, an industry consists of all establishments falling within a single class of ISIC; at higher levels of aggregations, industries conform to ISIC Groups, Divisions and Sections (¶5.40); the term is not reserved for market producers (¶5.41); there is not necessarily a one-to-one relationship between industries and products (¶5.46), consequently, the output of an industry, no matter how narrowly defined, will tend to include more than a single product (¶5.44); ideally, industries in the System would be comprised of establishments that are homogeneous production units (¶15.13)

Institutional unit — an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities; the main attributes are —

- it is entitled to own goods or assets in its own right and to exchange these in transactions with other institutional units;
- it is able to take economic decisions and engage in economic activities or which it is itself held to be directly responsible and accountable at law;
- it is able to incur liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts;
- either a complete set of accounts, including a balance sheet, exists for the unit or it would be possible and meaningful to compile such accounts (¶4.2)

These units are grouped into five mutually exclusive resident sectors: non-financial corporations, financial corporations, government units including social security funds, non-profit institutions serving households (NPISHs), and households (¶1.13); in addition,
institutional units resident abroad are grouped in the rest of the world account (¶1.14)

**Intermediate consumption** — the activity of using up inputs into processes of production during the accounting period (¶1.49); consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital, nor does it include expenditures on valuables (¶6.147-148); includes subscriptions, contributions, and dues paid to business associations, i.e., non-profit institutions that exist to protect the interests of their members (¶6.175)

**International organization** — an entity established by formal political agreements among their members, which are national states or other international organizations, such as the International Monetary Fund (IMF); they are not subject to the laws or regulations of the country in which they are located and thus are not treated as resident units of those countries (¶4.164); treated as units resident in the rest of the world (¶4.165)

**Inventories** — consist of stocks of output that are still held by the units that produced them and stocks of products acquired from other units that are intended to be used for intermediate consumption or resale without further processing (¶10.7)

**ISIC** — International Standard Industrial Classification of All Economic Activities (p. II)

**Motorhome** — a type of recreational vehicle built on a self-propelled motor vehicle chassis, primarily designed or altered to provide temporary living quarters for recreational, travel or camping use (RVIA 1996, p. 21)

**Non-financial assets** — assets that are not financial assets; classified as produced assets and non-produced assets (¶10.6)

**Non-profit institution serving households** (NPISH) — a non-profit institution which is principally engaged in the production of non-market services for households and whose main resources are voluntary contributions of households (¶2.20); these institutional units have no actual final consumption because the goods and services composing its final consumption expenditures are transferred in total to households as social transfers in kind (¶2.196); includes trade unions, consumers’ associations, charities and relief/aid associations, political parties, churches, and social, cultural recreational and sports clubs (¶4.162); excludes non-profit institutions that are controlled and mainly financed by government (¶4.10)

**NPISH** — non-profit institutions serving households

**Operating surplus** — net value added by an enterprise minus compensation of employees payable minus taxes on production payable plus subsidies receivable (¶7.80); a measure of the surplus accruing from processes of production before deducting any explicit or implicit interest charges, rents or other property income required to carry on the production (¶7.82); analogous to mixed income for the unincorporated enterprise (¶7.81); used instead of “profit” or “operating profit” (¶1.62)

**Output** — consists of goods and services that are produced within an establishment that become available for use outside that establishment (¶6.6, 6.38); does not apply to a process of production but only to an establishment or an enterprise; most output is recorded when its production is completed, but when producing a unit of output takes a long time, output can be recorded as “work in progress” (¶6.39, 6.102); can be broken down into market output, output produced for own final use, and other non-market output (¶6.44)

**Primary productive activity** — the principal activity of an establishment is the activity whose gross value added exceeds that of any other activity carried out within the same unit
(¶15.16a)

Principal activity — see primary productive activity

Producer — see producer unit

Producer unit — an establishment, or in a more refined analysis, unit of homogenous production classified according to its primary productive activity (¶21.8); all such units have one principle productive activity, classified according to the ISIC, and usually one or more secondary productive activities, and one or more ancillary productive activities; these units can be classified into more homogenous units as follows —

- Kind of activity unit — an enterprise or part of an enterprise which engages in only one kind of (non-ancillary) productive activity or in which the principal productive activity accounts for most of the value added (¶5.19);
- Local unit — an enterprise or part of an enterprise which engages in productive activity at or from one location (¶5.20)

Product — a good or a service resulting from production, either domestically or abroad, in the current period or in a previous one. (¶2.30)

Production — a physical process carried out under the responsibility, control and management of an institutional unit, in which labor and assets are used to transform inputs of goods and services into outputs of other goods and services; the unit must exercise control ownership rights over output produced (¶1.23); all goods and produced as outputs must be such that they can be sold on markets or at least be capable of being provided by one unit to another with or without charge. (¶1.20); the same goods or services may be produced using different production methods so that there can be no one-to-one correspondence between activities and the goods or services they produce (¶5.4)

Purchaser's price — the amount payable by the purchaser, excluding any deductible value added tax or similar deductible tax in order to take delivery of a unit of a good or service at the required time and place (¶3.83)

Remuneration in kind — a transaction where an employee accepts payment from his/her employer in the form of goods and services instead of money, and are used by the employees in their own time and at their own discretion for the direct satisfaction of their needs or wants (¶3.38, 6.153, 9.51)

Recreational vehicle — vehicular-type unit primarily designed for recreational, camping, travel, or seasonal use which has its own motive power, or is mounted on or towed by another vehicle (Recreational Vehicle Industry Association of the U.S.)

Resources — the side of the current accounts where transactions which add to the amount of economic value of a unit or a sector appear, e.g., wages and salaries for the unit or sector receiving them (¶2.54)

Same-day visitor — a visitor who does not spend the night in a collective or private accommodation in the place visited (UN/WTO 1994, ¶33)

Satellite account — a specific framework semi-integrated with the central System of National Accounts framework, designed to make apparent, and to describe in more depth, aspects that are hidden in the accounts of the central framework, or designed to change the production boundary or to describe an alternative economic process; in all cases, the links with the central framework are made explicit, there are a number of common elements, and any contradictory
features are introduced after explicitly considering various ways of looking at reality (¶12.246-249)

Saving — disposable income not spent on final consumption goods or services (¶1.10, 9.19)

Sector — a group of similar institutional units in the System, comprised of non-financial corporations, financial corporations, non-profit institutions serving households, government units including social security funds and households (¶1.13); all institutional units resident abroad form the rest of the world and are grouped together in a single rest of the world account (¶1.14)

Services — heterogeneous outputs produced to order, typically consisting of changes in the conditions of the consuming units realized by the activities of producers at the demand of the consumers (¶6.10); by the time their production is completed, they must have been provided to the consumers; these must be capable of being carried out by one unit for the benefit of another (¶6.9); distinct from goods, the other type of output, in that services cannot be traded separately from their production and are not separate entities over which ownership rights can be established (¶6.8); services which enter into exports and imports of services must have been produced as output from processes of production, so payments of compensation to non-residents are international flows of income, not imports of services, and the same with property incomes paid abroad (¶14.98)

Subsidies — current unrequited payments that government units make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services which they produce, sell or import (¶7.71); distinct from transfer payments to households and grants to enterprises to finance capital formation, called "capital transfers" (¶7.72)

System — abbreviated term used for the system of national accounts

System of national accounts (SNA) — a comprehensive, consistent and flexible set of macroeconomic accounts intended to meet the needs of government and private-sector analysts, policy makers and decision takers (v), such as to evaluate the performance of an economy (¶1.31); the System is built around a sequence of interconnected flow accounts linked to different types of economic activity taking place within a given period of time, together with balance sheets that record the values of stocks of assets and liabilities held by institutional units or sectors at the beginning of each period (¶1.3); the System framework pursues two objectives (1) to assist the development of individual country national accounts, and (2) to facilitate international comparability and economic social analysis in the worldwide economy (¶19.2); the System was developed jointly by the United Nations, International Monetary Fund, Commission of the European Communities, Organization for Economic CO-operation and Development, and World Bank and is fully described in System of National Accounts 1993 (ISBN 92-1-161352-3)

Taxes — compulsory, unrequited payments (i.e., government units provide nothing in return to the unit making the payment), in cash or in kind, made by institutional units to government units (¶7.48); includes taxes on production (including taxes on products and other taxes on production) and imports of goods and services (¶7.49); taxes paid by enterprises on production are recorded as being payable out of its value added (¶7.50); includes current taxes on income, wealth, etc. (¶8.43, 8.52); if government charges an institutional unit for issuing a license or other certificate permitting certain activities and actually exercises some proper regulatory function, this is considered a purchase of government services (i.e., fee paid) by the unit rather than a tax (¶7.55, 8.45, 8.54c)
Tourism — the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes (UN/WTO 1994, ¶9)

Tourism consumption — the value of goods and services used by or for visitors (UN/WTO 1994, ¶83)

Tourism consumption good — a good that is used, without further transformation in production, by households, NPISHs or government units for the direct satisfaction of individual visitor needs or wants or the collective needs of members of the community as visitors or hosts of visitors, in preparation for visitors’ trips, during such trips, or as aftereffects of such trips

Tourism durable consumption good — a tourism consumption good that may be used repeatedly or continuously over a period of more than one year, assuming a normal or average rate of physical usage.

Tourism final consumption — the activity of using up goods and services, without further transformation in production, by individual households, government units or NPISHs in preparation for, during, or as aftereffects of visitors’ trips

Tourism intermediate consumption — the activity of using up goods and services, as inputs into processes of production, that are consumed in preparation for, during, or as aftereffects of visitors’ trips, excluding fixed assets, which consumption is recorded as consumption of fixed capital

Tourist — a visitor who stays at least one night in a collective or private accommodation in the place visited (UN/WTO 1994, ¶33)

Towables — a vehicular unit, mounted wheels, designed to provide temporary living quarter for recreational, camping, or travel use, and of such size and weight as not to require special highway movement permits when towed by a motorized vehicle, and with a living area of less than 220 square feet (20.4 square meters), excluding built-in equipment (such as wardrobes, closets, cabinets, kitchen units, or fixtures) and bath and toilet rooms; a recreational vehicle; also called a travel trailer (RVIA 1996, p. 20)

Transaction — an economic flow that is an interaction between institutional units by mutual agreement or an action within an institutional unit that is analytically useful to treat like a transaction, often because the unit is operating in two different capacities (¶3.12); those values expressed in terms of a foreign currency should be converted into the national currency by the midpoint between the buying and selling rates prevailing on the transaction date (¶14.78)

Trip — any travel to a place outside one’s usual environment, and the activities that visitors undertake from their place of usual residence, from the moment they leave until they return (UN/WTO 1994, ¶42)

Usual environment — introduced in tourism definitions to exclude from the concept of visitor persons commuting every day or week between their home and place of work or study, or other places frequently visited (UN/WTO 1994, ¶22)

Use — goods and services are said to be “used” when institutional units make use of them in a process of production or for the direct satisfaction of human needs or wants (¶9.35)
Use of income account — the account that shows how households, government units and NPISHs allocate their disposable income between final consumption and saving (¶9.1); note that corporations do not make final consumption expenditures, but do make savings, sometimes called "retained earnings" or "undistributed income" (¶9.4)

Value — at the level of a single, homogeneous good or service is equal to the price multiplied by the units of quantity (¶16.9), values are expressed in terms of a common unit of currency and are commensurate and, unlike prices, additive across different products (¶16.9c)

Value added — intended to measure the additional value created by a process of production; best measured as net value added at the institutional unit or sector levels, i.e., the value of output less the values of both related intermediate consumption and consumption of fixed capital (¶16.4.b, 6.5, 6.222b)

Visitor — any person traveling to a place other than that of his/her usual environment for less than 12 months and whose main purpose of trip is other than the exercise of an activity remunerated from within the place visited (UN/WTO 1994, ¶20); classified as either a tourist or a same day visitor
Resources


RVIA 1996 — see Recreational Vehicle Industry Association (1996)


Items suggested for inclusion in tourism durable consumption goods (see Figure 1) were derived from lists of products from the following sources:

American Recreation Coalition, Washington, D.C., USA


National Sporting Goods Association, Chicago, Illinois, USA

Recreation Vehicle Industry Association, Reston, Virginia, USA

Snow Sports Industries America, McLean, Virginia, USA

United Nations Statistical Commission, Final Draft of the Central Product Classification (CPC), provisional, August 31, 1988, New York, New York, USA


Consumer catalogs from various retailers of sporting goods, camping equipment, and travel products
Annex 15

Some thoughts over timeshare

The terms “timeshare”, vacation ownership, or others now commonly used cover many different situation which all come from the same initial experience, that of Super-Devoluy, a ski resort in France, where in 1967 apartments were built with the object of their usufruct to be sold to different vacationers by the week: the “owners” had no specific right on the asset itself: they could not make any physical change to it, so that they were not the owners of the assets themselves, but solely of its use at a given moment in time. This week of which they were the owners, could be used for their own enjoyment, or they could delegate on the management of the project to rent it to a third party.

The duration of the contract of such purchases was usually tied to the duration of the life of the accommodation, object of the contract. These “weeks” could be sold to third parties. When the apartment was sold to other developer, the contract of “timeshare” was solely transferred to this third party, which was tied contractually with the owners of the timeshare.

This type of “property” allowed the owners of the “timeshare” to own a vacation home only for the time span in which they were thinking of using it, thus reducing highly the costs of owning a vacation apartment in a ski resort. Nevertheless, the owners were loosing flexibility in time (they had to buy a predetermined week, all year the same) and in space (the location of the apartment was fixed, as the apartment object of the contract was totally specified).

Such a form of ownership, where the ownership of an asset, and the right of using it were considered as two different assets and thus capable of being traded separately on different markets, allowed a great flexibility, that was soon put into practice: Weeks, referring to the same accommodation, began to be exchanged between individuals; then different timeshare referring to different locations, etc.

Companies saw there an opportunity in offering new flexible products to vacationers: through the administration of various resorts, offered for similar prices, they would be able to offer for sale “rights on weeks” in theirs resorts as a package, with different variants, and over different time spans:

As a consequence, we have now the following scheme. Besides those contracts following the initial scheme, vacation ownership “timesharing” has been extended to the right to use specific weeks of a resort (or a family of resorts) during a specific time period.

The form of “ownership” can be: Deeded, Leased, or a License.

A Deeded interest is owned outright forever. It is an absolute right which can be sold, leased, or even willed to your heirs.

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1 Ownership is put between “.” Because there is no effective ownership on a physical asset.
A **Leased** interest is a right to use a unit restricted to a specific week during a year. Upon the expiration of the lease term, the right to use will generally terminate and return to the resort. With a leased interest, you know the terms and conditions of the leases prior to making the decision to buy.

The **License** is somewhat different, in that it is mostly a membership in a club: Providing you are a member in good standing, you have the right to use the club and its amenities.

The time of the use can be either **fixed** or **floating**.

In some other cases, the system might consist of the pre-purchase of a number of weeks of certain characteristics, which can be used at any time, provided that there is some availability. The buyer, or any other person that he indicates might be the beneficiary of these “weeks”, and they can be taken simultaneously by different persons.

**Classifications in the TSA**

The creation and net purchase of “timeshare” contract presents special difficulties when comes the time to include these transactions into the TSA: what is the economic nature of these contracts? In particular, is it a consumption product, and therefore should it figure, for its total market value, in the moment it is purchased by a visitor? Is it a component of its fixed capital formation? Or is it of a different nature? Should we impute a value over the life span of the contract, or assign the total value in the moment of the purchase (as for any durable good…)? Should all of these contracts be treated in the same say (which should be highly desirable), or is it necessary to analyze separately the different types of contracts available in the market?

**definitions from SNA93**

**Is Time share a form of fixed capital formation?**

First of all, it is clear that when buying a timeshare, there is no right of ownership on a physical asset: neither in the initial form, and even less in the present, modified form, where the link to a precise physical investment is lost. All the national legislation of the countries point out that the tenant of a timeshare has no right on the asset itself, only on its use.

Thus timeshare contracts are not a form of fixed capital formation for the buyers of such contracts; only the construction of the units to be offered as timeshare units is gross fixed capital formation.

This discards at the same time the question raised over the classification of time share units within the product classification of tourism fixed capital formation: units offered under a timeshare scheme usually do not present physical characteristics which make them different from other units of the same kind. It characterizes forms of tenancy and of exploitation of an asset: it does not characterize physically an asset.
Is time share a form of intangible asset?

Definitions of intangible assets are rather obscure, and need first of all to be clearly stated: quotations from SNA93 should help:

*Other intangible fixed assets* New information, specialized knowledge, etc., not elsewhere classified, whose use in production is restricted to the units that have established ownership rights over them or to other units licensed by the latter.

*Intangible non-produced assets* Non-produced assets which are constructs of society. They are evidenced by legal or accounting actions, such as the granting of a patent or the conveyance of some economic benefit to a third party. Some entitle their owners to engage in certain specific activities and to exclude other institutional units from doing so except with the permission of the owner. Intangible non-produced assets consist of patented entities, leases and other transferable contracts, purchased good will and other intangible non-produced assets.

*Leases and transferable contracts* Leases or contracts where the lessee has the right to convey the lease to a third party independently of the lessor. Examples include the leases of land and buildings and other structures, concessions or exclusive rights to exploit mineral deposits or fishing grounds, transferable contracts with athletes and authors and options to buy tangible assets not yet produced. Leases on the rental of machinery are excluded from non-financial intangible assets.

10.130 The value of the acquisitions or disposals of leases or other transferable contract recorded in the capital account consists of payments made to the original or subsequent tenants or lessees when the leases or concessions are sold or transferred to other institutional units. The value of acquisitions of intangible non-produced assets include the associated costs of ownership transfer incurred by the purchaser while disposals are valued after deducting the costs of ownership transfer incurred by the seller. The costs of ownership transfer are a component of gross fixed capital formation.

13.63 Whenever possible, intangible assets should be valued at current prices when they are actually traded on markets. Otherwise, it may be necessary to use estimates of the present value of the expected future returns to be received by the owners of such assets. For purchased goodwill, valuation should be at acquisition cost less accumulated amortization (appropriately revalued).
10.120 Non-produced non-financial assets consist of land, other tangible assets that may be used in the production of goods and services, and intangible assets. Changes in the value of these assets owned by institutional units resulting from transactions with other institutional units are recorded in the capital account. These assets may be acquired or disposed of by purchase or sale, barter or capital transfer in kind. The changes recorded in the capital account consist of the total values of the assets acquired during the accounting period less the total value of the assets disposed of.

12.34 Just as the appearance of intangible non-produced assets is recorded in the other change in the volume of assets account, so is their write-off, termination, or exhaustion. For purchased goodwill, amortization should be recorded over a period of time after the purchase of an enterprise, following country accounting standards; the exhaustion of patent protection should be recorded over the duration of the patent.

Under these definitions and characteristics as defined in SNA93, most of the timeshare contracts seem to fit within the concept of “intangible non produced assets”: They are clearly constructs of society, and they are evidenced by legal or accounting actions, such as the granting of a patent or the conveyance of some economic benefit to a third party. Some entitle their owners to engage in certain specific activities and to exclude other institutional units from doing so except with the permission of the owner. Intangible non-produced assets consist of patented entities, leases and other transferable contracts

What happens with membership fees in clubs, and other recreational entities (and schools?)? Capital transfers?

This does not seem to be the right solution, because the payment is not a transaction without quid prop quo, because it gives you the right of membership. In some cases, even, this right is tradable (membership in some social clubs, payments for timeshare (vacation ownership..)).

If timeshare units are classified as non produced intangible assets, then neither their net acquisition nor their use would be included within tourism consumption. Is it desirable? Is it consistent?

These rights are tradable: and this seems to be a common characteristic for all the systems. They all suppose also the payment of an important lump sum to enter the system, and periodic payments, linked to the effective (or imputed) use of the right.

In some cases, they are limited in time, in other they give an unlimited right for a week in a resort.

In some cases, you buy a given amount of weeks: this is more like an anticipated purchase: in this case, it looks more like a financial transaction, and the use in each year is the consumption of this period.

In some cases, it represents the right of use of a specific accommodation asset in a specific time period for a specific number of years: this was the original form of the system, but it has changed overtime, and taken very different forms, which are now quite heterogeneous.
This is the state of the analysis to which I have come until now: more to come.

**Observation**
1. I am not sure that this type of specific problem should be discussed in the “conceptual framework”, because it is not a point, specific to TSA: it should be solved in national Accounts, and the solution, extended to TSA: The fact is that, until now, I have not seen the point discussed in NA. I was intending to give some discussion of time shares in the KIT. As a consequence, the non consideration of the case of time share in the WTO conceptual framework is not a difference with OECD: it is only located in a different place: in the KIT on demand… Again, it points out the ambiguity of OECD document, which is not, strictly speaking, a conceptual document.

2. The solution proposed by OECD is conceptually wrong: the “ownership” of a time share is not the ownership of a physical good, but of an intangible asset….