

## Coming Soon to an NTO Near You: Tourism Satellite Accounts

**A** new acronym is set to enter the growing alphabet soup of nomenclature in the PATA region over the next few years. It could be the most important one yet.

**The Tourism Satellite Account (TSA)** will help PATA-member national tourism organisations put a firm finger on what travel and tourism actually means to national economies and GDP, job creation and government revenues. The complicated methodology of accomplishing this was sorted out at the World Conference on the Measurement of the Economic Impact of Tourism in Nice organised by the World Tourism Organization (WTO) on June 15-18, 1999.

WTO describes the TSA as the “only way to have an overall view of tourism’s impact on the economy on an equal footing with all other sectors.” By having a set of universally accepted figures, countries will also be able to measure how their industries are performing against those of competing countries.

In this edition of *Issues & Trends*, we discuss what a Tourism Satellite Account is and how it will help chart the future directions of Pacific Asia travel. These frequently asked questions are based on an explanatory document first published by WTO.

**Q.** What is a Tourism Satellite Account?

**A.** One of the most important shortcomings in the tourism sector is the lack of a solid, comprehensive and internationally uniform information base on the

economic repercussions of tourism. Statistical information currently available is, on the whole, scanty and incomplete — for the most part focusing on simple calculations of international arrivals without any subsequent analysis of the impact of tourism activity on the economies of the different countries nor, by extension, on the international economy.

**T**his situation deprives both the authorities and tourism companies of information essential to making public policy or developing business strategies. At the same time it contributes to a regrettable lack of social awareness of the importance of tourism as a factor promoting economic growth and as a source of employment.

Tourism has emerged as the single largest economic activity on a worldwide basis. The significance of tourism to the economic and social life of all nations is now undisputed. However, this economic importance is not properly reflected in the existing national

accounting framework and thus, not adequately taken into account in government policy development.

In 1993, the United Nations Statistical Commission adopted a new System of National Accounts (SNA) which recommends the use of a new reporting concept

called Satellite Accounts to expand the analytical capacity of national accounting for selected areas, in a flexible manner without overburdening or disrupting the central system.

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This reporting system allows for an identification of relevant pieces from the existing accounts and reconstructs them separately to measure the total economic and employment impact of consumer expenditures, capital investment, government revenues and expenditure, foreign trade and business expenditure from tourism.

**Q.** What is the difference between the Tourism Satellite Account and traditional methods of measuring the economic benefits of tourism?

**A.** Compared to traditional systems of measuring the economic impact of tourism, the benefits of using and applying satellite accounting to tourism are clear: the Tourism Satellite Account demands consistency in data — it must balance in terms of supply and demand. A satellite account builds a database for tourism that is comprehensive, internally consistent and balanced. Thus, the data become justifiable and credible. Tourism Satellite Accounts afford the following benefits:

- Reconciliation of the demand-side data with the supply-side data within the account brings greater coherence to the definition of the industry; all partners in the industry will speak a common language.
- Use of a recognised accounting system brings enhanced credibility to the economic analysis of the industry.
- Use of an accounting framework can bring other important information into the analysis of tourism, such as data on value-added benefits of tourism, tourism share of GDP, government revenues, human resources development or financial flows.
- The accounting framework would provide a useful guide to the development of primary data sources. In other words, TSA is the only way to have an overall view of tourism's impact on the economy on an equal footing with all other sectors.

**Q.** What is the World Tourism Organization, organiser of the World Conference on the Measurement of the Economic Impact of Tourism, doing to promote the Tourism Satellite Account?

**A.** For many years now, WTO has been working to promote TSA. Initially, with the help of a renowned

international expert on national accounts, Mrs. Marion Libreros, WTO first developed a detailed framework of a Tourism Satellite Account. This was then discussed further by a group of experts on TSAs in several meetings at WTO headquarters in Madrid. The expert group brought together representatives from governments (national tourism organisations, national statistical offices and central banks), international and regional organisations (PATA, CTO, ILO, OECD, EUROSTAT, etc.) and representatives of the tourism trade (WTTC, IH&RA, etc.).

**F**rom 1995 to mid-1996, WTO participated in a joint project with the United Nations Statistical Division and helped the central bank of the Dominican Republic in developing a TSA on the basis of WTO's framework.

A similar exercise was conducted in Egypt. The results were presented and discussed in a seminar, organised jointly by WTO and the Ministry of Tourism in Egypt, which was attended by officials of NTOs and officials of the Middle East, North Africa and Mediterranean countries responsible for national accounts.

Since WTO's TSA will have to be applied universally, WTO needed to consult and discuss it in a wider context than simply one geographical region. Thus, three seminars were held in Kingston, Jamaica for all the Caribbean Islands (July 7-9, 1997) followed by seminars in Trivandrum, Kerala, India (April 27-30, 1998), in which representatives of some 20 Pacific Asia countries participated.

WTO has also submitted the Draft TSA to the United Nations to elicit comments and observations regarding its consistency with the UN System of National Accounts.

The results of all these discussions, consultations and practical experiences were part of the basic material of the World Conference on the Measurement of the Economic Impact of Tourism in Nice on June 15-18, 1999.

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**A.** WTO has embarked on the challenge of developing the first set of official international guidelines on tourism satellite accounting which are consistent with the United Nations System of National Accounts 1993. Such a framework should prove instrumental in promoting consistent and comparable results on the measurement of the economic significance of tourism.

**Q.** What are the benefits of the TSA on a national level?

**A.** At the national level, the objective of the project is to develop through satellite accounting an effective approach to integration of statistical development and analysis based thereon, that would be a powerful support for the policies to be implemented for the tourism sector. In particular, the transfer, through satellite accounting, of the knowledge and experience of the macro national accounting approach used in economic analysis to agencies working in the field of tourism promotion and development of tourism projects, might help to systematise their decision-making process. The tourism industry will be able to measure the overall economic contribution of tourism to the rest of the economy and, what is even more important, to be able to compare this data on an industry-by-industry basis with the other sectors of the economy.

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**Q.** WTO, WTTC and OECD are all working on TSA, what differences are there and what steps are taken to overcome those differences?

**A.** The objective of WTO is to develop a TSA which could be applied universally and which is fully consistent with the concepts and spirit of the UN System of National Accounts.

WTO’s TSA should be understood as a progressive and flexible framework. WTO believes that it would be difficult, for example, to impose a unique definition which should be used in all times and all circumstances. Flexibility, on the other hand, would mean that some countries could have a step by step

### How the TSA Will Help the PATA Region

The TSA will help the PATA region in many significant ways, specifically by elevating the measurement of both the success and impact of the travel and tourism industry to a higher level.

So far, the measure of success for travel and tourism has been mostly visitor arrivals and visitor expenditure. These are by and large superficial indicators, which have more than outlived their usefulness. Clearly, on the eve of the 21<sup>st</sup> century, it is time to elevate this to a higher plane more reflective of the growing sophistication and socio-economic impact of tourism.

However, many hurdles lie ahead. For one thing, it will mean that PATA-member countries will have to work with their private sector associations to set up credible statistical gathering systems throughout the industry. This is quite flawed and weak in several countries, from which it is difficult to get timely and reliable statistics even for routine items such as visitor arrivals. PATA will be working closely with its member national tourism organisations and the World Tourism Organization to hold seminars in the PATA region to explain the significance of the TSA and the methodology for setting it up.

Sectors such as hotels will need to be particularly updated, this because they are both major employers in the industry as well as the highest purchasers of goods and services that create indirect benefits for other sectors of the economy, for example, construction and agriculture.

As WTO makes clear, once the travel and tourism industry can back up its positions with verifiable, consistent and universally-accepted data, it will be much better placed to push for policy changes and infrastructure development to further realise the growth potential and indeed meet specific industry targets.

This will help substantially enhance the overall competitiveness of the PATA region vis à vis other regions.

construction of the TSA, in line with their own particularities and needs. Such an approach, WTO believes, would facilitate the implementation of WTO’s TSA. However, this approach also implies that an agreement has been reached on a “basic core” of concepts, classifications, definitions and tables which will represent the common language used by governments and the industry when measuring the economic impact of tourism.

**Q.** Which nations have implemented a TSA? Or are planning to do so?

**A.** In October 1994, Canada was the first country to release the results of a Tourism Satellite Account. Since then, a number of countries in Europe (France, United Kingdom, Poland, etc.), Africa (Morocco, Tunisia, Côte d'Ivoire), the Americas (Mexico, USA, Dominican Republic, Chile, Colombia, Costa Rica) and Pacific Asia (Australia, Singapore, Indonesia, India) have undertaken assessment programmes for the development of a Tourism Satellite Account.

**Q.** How much does it cost a nation to set up a TSA and maintain it?

**A.** It all depends on the situation of each country. It is important not to consider a TSA as a one-time study. The TSA should become a managerial tool for policy-makers and the industry. Therefore, it is important for countries to develop detailed technical expertise for future projects in the area of tourism promotion and implementation.

**Q.** What was the role of the World Conference on the Measurement of the Economic Impact of Tourism in this effort?

**A.** The conference helped bring together tourism statisticians, researchers and economists to update, refine and expand basic definitions and classifications of tourism supply and demand included in the WTO/UN Recommendations on Tourism Statistics, assess their degree of adoption and implementation at the country level and develop ways to further advance their implementation. It also helped to:

- Develop credible economic statements of the size, significance and net contribution of tourism activity through the use of Tourism Satellite Accounts within the United Nations System of National Accounts to guide the policy making of governments and private industry
- Enhance the economic contribution of tourism by strengthening partnerships between governments and private tourism operators, improving capabilities of national tourism organisations and other government bodies, and developing harmonised methodologies for the measurement of physical and financial tourism flows, both internationally and domestically
- Promote the knowledge of the economic, social, cultural and environmental links and impacts of tourism, both at the national and regional levels

### Will the TSA Measure Economic Leakage?

One of the grey areas in the Tourism Satellite Account is whether the methodology will allow countries to measure the profitability level of the tourism industry, i.e., what is left behind in the country after paying for the costs of servicing it.

Building tourism is an extremely capital-intensive task. If just the cost of aircraft purchases, building airports and upgrading air traffic control infrastructure are included in the amounts that countries have to pay out for laying the foundations of travel and tourism, there is not much left in the national treasury.

For many countries in the PATA region, generating foreign exchange is the most critical reason for promoting tourism. Yet, in order to make money, the country has to spend money — for marketing, telecommunications, franchise fees and a wide variety of imported hardware, software, consultancy and other costs.

Calculating these costs does not appear to have been adequately addressed in the new TSA methodology. However, the foundation for doing so has been laid, and assessing tourism leakage is the logical next step.

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