



First Steps Tourism Satellite Account Project

For

The Republic of Ireland

Executive Summary

1. Introduction

The task of credibly measuring the current situation of the national tourism industry sector in the national economic context was formerly particularly daunting because, statistically, ‘the tourism industry’ or more precisely ‘the collection of tourism industries identified in the tourism sector’, does not exist as a distinct entity in economy-wide data systems. The data on various aspects of the economic activities associated with tourism are present in the statistical infrastructure, but they are fragmented and dispersed. TSAs aim to reconcile the underlying statistical elements to reveal the full scope and inter-related structure of the collection of tourism products and industries that make up the economic activity of the tourism sector. Thus a TSA is a synthetic statistical operation closely linked to the central core of a country’s national accounts, placing an emphasis on tourism activity. **It is, however, only a statement of account showing how tourism spreads itself through the different industrial sectors of the economy at a given date.** In terms of modelling the economic activity of tourism, a TSA may be viewed as the first stage in a process that goes on to model the economic impact of tourism through the various multiplier effects and then to construct Computable General Equilibrium models that add in the dynamic influences on tourism from the rest of the economy at large.

The framework of the Tourism Satellite Account essentially revolves around the construction of ten idealised tables that have been developed by painstaking work over the last 20 years. Given the level of complexity involved and the data requirements, there is a general recognition that attempts to complete all ten tables provides significant challenges for those involved in the work. There is also a general acceptance that the movement to attempt to construct the tables reveals many gaps in current data and resultantly the construction of the TSA is likely to be a gradual process.

1.1 The Ten TSA Tables

As already noted, a full TSA as agreed by the international agencies comprises ten tables. At the time of writing no country has of yet constructed

all ten tables which suggests that a strong degree of realism and gradualism has to be understood by agencies involved in this project. In addition, arising from ongoing work in a number of countries an array of methodological issues has arisen and the detailed structure of several tables is constantly under review. For example, discussions continue within and between the major statistical agencies concerning the concept of 'common consumption' of tourism goods and of tourism capital investment. This should not be seen as an obstacle, as all those involved in the process are convinced that the exercise of attempting to construct the current tables regularly leads to challenging some long held assumptions and more importantly, the process has greatly increased our common understanding of the nature and impact of tourism.

Despite the ongoing refinement of certain tables, there are nevertheless clear guidelines on table construction and prioritisation in the manual on TSAs produced by EUROSTAT. A brief overview of the 10 tables is provided now.

Table 1: Provides estimates of inbound tourism expenditure, which is an element of aggregate demand; i.e. an export;

Table 2: Details domestic tourism expenditure, which is part of domestic total consumption;

Table 3: Outbound Tourism Expenditure;

Table 4: Internal Tourism final consumption that comes from a synthesis of tables 1&2;

Table 5: Production Accounts of Tourism Industries and Other Industries;

Table 6: Domestic Supply and Internal Consumption by Products: a reconciliation of tables 4 and 5, which is the nucleus of the TSA;

Table 7: Employment in Tourism Industries;

Table 8: Tourism Gross Fixed Capital Formation;

Table 9: Tourism Collective Consumption by Functions and Levels of Government;

Table 10: Non-Monetary Indicators of Tourism, such as trips, nights, accommodation, establishments and employment.

The evidence to date suggests that some tables are easier to estimate than others and in general the earlier tables prove to be the least challenging. Arising from this experience, it is usual that a TSA is published incrementally as data and estimation methods allow.

1.2. Scope, Use and Limitations of the TSA

It is useful to begin by considering the forms of information that can be obtained from the TSA, concerning:

- **Tourism's contribution to the economy;**
- **Industries that benefit from tourism;**
- **The amount of tax generated as a result of tourism activity;**
- **Data relative to visitor demand and**
- **Improvement of knowledge concerning jobs in and related to tourism.**

While the endeavour to create a TSA is a major undertaking with significant benefits as illustrated above, this should not be mistaken for believing that a TSA is a panacea for all the policy issues confronting tourism. **This arises because the TSA is simply an 'account', and as such it does not have a dynamic element.** It is only with the development of 'Tourism Policy Forecasting Models' and 'key indicators' arising from the development of a TSA, that the real benefits of the work can be realised.

The static TSA has a role in advocacy but and in other areas but the real benefits are to be obtained when the TSA is used as the foundation for the development of timely tourism sector indicators, a framework for national and sub-national modelling and micro level benchmarking.

2. The TSA for the Republic of Ireland

TSA Tables 1 to 10 relate to the year 2000 and are discussed below and should be read as a companion to this summary document. The year 2000 is the common reference year for the overall UK/Ireland project.

Table 1 Results

The main macro-data in Table 1 accord fully with published data. Inbound visitors made 6.855m trips with 47,107,6000 overnights and spent €3,637m in Ireland in 2000. They spent €1bn on transport with around ¾ of this being paid to Irish international carriers and the remainder on domestic transport. They spent over €900m on food and drink; €671m on accommodation; around €600m on retail shopping; around €200m on cultural and recreational activities.

Table 2 Results

We estimate that domestic tourism consumption exceeded €3.1bn in 2000 with day visitors accounting for around €1.8bn of the total, around 2.5 times the value of stay visitor expenditure (€706m). Residents travelling to a different country consumed €654m in Ireland, mainly in Travel Trade commission, €153m, and fares to Irish carriers, €495m. This expenditure resulted from over 82m trips, around 77m of which were day visits. There were around 5.5m stay visitors who spent around 21m overnights in the Republic.

Table 3 Results

We estimate that outbound Irish tourism consumption abroad exceeded €2.6bn in 2000 with stay visitors accounting for all but €41m of the total. Over €900m was spent on food and drink, over €500m on accommodation; over

€200m on transport while abroad and over €150m each on recreational & cultural activities and on miscellaneous services (such as banking and foreign exchange). Outbound tourists spent a little under €600m, while abroad, on retail goods. This spending resulted from 5.35m outbound trips. All but ½ million of these were stay trips during which visitors spent 36.28m nights spent abroad.

Table 4 Results

Table 4 consolidates TSA tables 1 and 2 and adds benefits in kind from the imputed rent from second home ownership to yield total tourism demand in the local economy, which it terms as internal consumption. The only new estimate in Table 4, that requires comment is the imputed rent from second home ownership. The CSO estimates the imputed rents in the Republic of Ireland as €25.0 million in 2000.

Table 5: Results

Table 5 provides a data set based on the Input –Output structure of the Irish Economy. The data set illustrates the demand and supply characteristics of the tourist sector in the Republic of Ireland. Table 6 provides the overall linkages generated within the economy by various tourist related activities.

In reading Table 5 one must view it as a single entry national account framework. To illustrate how to read Table 5 we can take as an example the hotel and restaurant sector. If we read across the table each figure represents the value of goods or services supplied by the hotel and restaurant sector to other sector or final demand. The hotel and catering sector sells €13.00 million euro worth of goods and services to other operators in its own sector. A total of €404.51 million was sold in total to industrial sectors for use in production of other goods and services (intermediate demand) and €4401.28 million was sold to final users (final demand). Total output in the sector was

€4805.79 million. Total employment in the hotel and restaurant sector was 109,600.

Table 5 can be used in conjunction with Tables 1, 2 and 4 to construct Table 6.

TSA Table 6: Results:

Table 6 allows the estimation the contribution of spending by tourists on specific economic indicators within the Irish economy. The Table is a consolidation of information from Tables 1, 2, 4 and 5. The sector that has the largest tourist spend in absolute terms is the hotel and restaurant sector, €2381.55. Approximately 50% of all expenditure in this sector is as a result of tourist spending, this ranks it second to Air and Water transport (48%) in terms of dependence on tourist activity. Recreational and cultural services (27%) and Land transport (17%) also have tourism as important components of their overall expenditure.

Total expenditure in tourist related sectors is €140016.49 million of this total €6803.38 million (2.3%) is generated due directly to tourist activities¹. Direct tourist expenditure is 4.0% of GDP.

Related employment is also reported in Table 6. It is estimated that 702,900 people are employed in the tourist related industries. Of these 86,991 (12.4%) are directly related to tourism expenditure. The indirect and induced employment effects are not calculated in this report. If the employment multiplier calculated by Henry and Deane (1993) was applied to the direct employment estimates over 170,000 Full-Time Equivalent (FTE) jobs are dependent on tourist expenditure. The employment figures reported in Table 7 are calculated from the employment row in Table 6.

¹ Only direct estimates are produced in this report. If multipliers obtained by Henry and Dean (1973) are applied to the figures the overall impact is much greater.

Table 7: Employment in Tourism Industries

Table 7 provides estimates employment data related to tourism. Overall, tourist related employment accounts for 12.4% of employment in those sectors directly related to tourist activity and 5.2% over the overall labour force. Since total tourist expenditure as a proportion of total expenditure is only 2.3% this indicated that tourist related activities are far more labour intensive than the industrial average.

As stated earlier only the directly related employment is estimated in this report. If indirect and induced impacts were calculated using Henry and Deans estimates the total impact is likely to be much greater. Of the total tourist related employment 86,991 FTE jobs, the sector that contributes the largest part of this is the hotel and restaurant sector with 43,535 (50.0%).

Table 8: No Results

No progress was possible with this Table. Further investigation is required to see if any useful data can be obtained to develop this table.

Table 9: Results

In this report the results of an initial attempt at constructing Table 9 are provided. Only national data are shown.

Table 10: Results

Table 10 supplies non-monetary support information for the TSA.

3. Republic of Ireland Findings and Recommendations

1. A major finding to emerge from the project is the crucial importance of “domestic tourism” in the overall tourism marketplace. This arises because the TSA methodological approach puts a clear focus on the importance of “same day visits”. Traditionally, statistical offices concerned with tourism concentrated their efforts on the calculation of “export tourism” for balance of payments purposes and resultantly there was relatively less focus on the components of domestic tourism. Most importantly, the collection of data on “same day visits” was generally ignored. What arises from the research for this project is that the tourism marketplace is more accurately comprised of four elements, namely:

- (a) Inbound Tourism;
- (b) Domestic Tourism;
- (c) Same Day Visits and
- (d) Outbound Tourism

In order to conform to the TSARMF it was necessary to estimate “same day visits” for the Republic of Ireland. There has been no attempt previously to estimate “same day visits” for Ireland. This first estimate which we believe to be conservative suggests that this component is a very sizeable element (**27.7% of Total**) of tourism demand and as such it is imperative that data collection methods be developed to monitor this vital component. Resultantly, we recommend the following:

Recommendation 1

Develop and implement a survey instrument to measure “Same Day Visits”.

2. From the analysis conducted in the project it emerges that the total first round employment effects of tourism in May 2000 is 86,991 FTE jobs. Tourism constitutes 2.3% of total expenditure in the economy and 5.2% of the overall labour force. Given this finding it is clear that tourism has a higher labour intensity relative to other sectors of the economy. It is important to stress that these employment estimates are only for first round effects and resultantly would differ from other estimates (e.g. Henry and Deane) that include indirect and induced effects. In essence, it is vital to understand that the TSA is simply an account, albeit one that provides the foundation to develop dynamic impact modelling. These dynamic tourism policy forecasting models can provide policymakers with insights on the overall economic impact of policy decisions which allows different policy options to be evaluated.

Recommendation 2

The TSA framework should be extended by the development of a tourism policy forecasting model.

3. Currently the tourism expenditure data is too aggregated to permit a full input output based policy analysis. More detailed information on expenditure would considerably improve our knowledge base and allow better assessment of the impact of various tourism policy initiatives.

An additional gap in the current data on tourism expenditure is the absence of a regional dimension that would complement data on regional tourism activity. In this context the development of a survey instrument that provides regional expenditure calculations would allow major improvements to the TSA output.

Recommendation 3

It is recommended that some form of a diary approach be developed to provide supplementary information on expenditure categories. The development of a tourist expenditure diary would also cater for the regional dimension.

4. Gross Fixed Capital Formation could not be estimated for tourist related activities due to the absence of appropriate data and resultantly it was not possible to construct table 8.

Recommendation 4:

Data on Gross Fixed Capital Formation in tourist related sectors needs to be collected and reported separately in the national accounts.

5. The analysis undertaken for the project based on CSO data reveals per diem spends for domestic tourism, which seem at an intuitive level to be low and are low relative to the recorded values for Northern Ireland and the UK. In the context of the critical importance of domestic tourism as revealed by this project a significant investigation of domestic tourism expenditure is warranted. While the per diem estimates for international tourism seem to be closer to international norms we are also of the view (given independent work carried out by the authors over time) that these values may also be underestimated.

Recommendation 5:

It is recommended that the CSO should undertake a comparative review with a specific focus on expenditure categories, definitions, collection and calculations. It may be very useful to benchmark the estimates against parallel diary estimates.

6. Table 9 of the TSARMF concentrates on collective tourism consumption by Government. To date it has not been possible to collate all the necessary information to complete the table.

Recommendation 6:

In the future the relevant public agencies should collate and supply the necessary information to the body responsible for constructing the TSA.

7. This First Steps Project has revealed many gaps in our data in relation to tourism and where it is situated in the macroeconomic statistics. This finding is similar to that found in other Countries where the process has been undertaken. In many respects this reflects the general paucity of data on the services sector throughout the world and a matter that needs serious consideration. The preliminary findings from the project suggest that tourism is playing a far greater role in the macroeconomy than previously realised. In this context it seems logical that greater resources be devoted in the future to fully exploring the data requirements and processes undertaken in the generation of tourism statistics. In our view from work undertaken in this project (and from our longstanding experience) those charged with producing tourism statistics are under-resourced.

Recommendation 7:

A significant review of the process and allocation of resources to the generation of tourism statistics along the lines of the Allnutt Review in the UK should be undertaken as a matter of priority.

