



International Centre for Responsible Tourism - Australia

Australian Tourism Statistics – a gap in information.

**Why there is a need to supplement existing statistics
to build the Local Economic Development.**

Occasional Paper 3

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Strategic Local Economic Development requires statistics which provide useful data at a precinct level. The current tourism statistics produced by the government are helpful for national, state and RTO trend analysis. But it is argued here that policy planners, and local tourism groups should commission independent research and conduct data collection methods to assist in maximising tourism's economic potential for communities while minimising its cost impacts on government.

Tourism and Local Economic Development – the challenge

While tourism can be a major economic contributor to a destination the challenge is to identify how best to maximise its benefits while considering its costs. It is argued here that this requires analysis beyond current published tourism statistics which do not provide sufficient insight to understand economic impacts at a precinct level.

Much of the economic focus for tourism is on individual tourism businesses who gain from visitor expenditure. However, to generate a strong economic 'flow on' effect to

the wider community, thus maximising visitor expenditure, requires tourism businesses to *actively* buy local. The greater the collective approach to directly channel expenditure to local producers and service providers the stronger the maximisation of economic benefit.

Tourism also has costs, not so widely discussed. A flourishing tourism sector requires a destination to retain its attractiveness to visitors (cultural and environmental), provide a source of trained staff, good transport infrastructure, and clean effective public utilities and policies to protect the commons. These all represent costs to the government and to community.

It is the linkage between tourism, community, small and micro businesses, local government, protected places and education that enables the destination to flourish. To maximise the positive impacts requires planners and tourism businesses to maximise economic linkage and minimise leakage while managing tourism's costs.

Currently planners and RTOs might draw on the available national, state and regional statistics, but it is argued here that stronger economic information at a precinct level should be sought in order to develop effective strategies. This is particularly critical when making a judgement on the volume of visitors and their impacts to the community's service and the commons.

What tourism statistics are currently used?

The author has researched the current government statistics and methods for data usage with the Australian Bureau of Statistics and Tourism Research Australia. Tourism statistics, specifically tourism volume and expenditure, are often quoted to indicate trends by national, state tourism agencies, peak bodies, and regional tourism organisations (RTOs), local government areas (LGAs).

These statistics are calculated from several sources:

- National Visitor Survey (NVS) – Tourism Research Australia
- International Visitor Survey (IVS) – Tourism Research Australia
- Overseas Arrivals and Departures – Australian Bureau of Statistics
- Australian Tourism Satellite Accounts (ATSA)– Australian Bureau of Statistics
- Survey of Tourism Accommodation (STA) – Australian Bureau of Statistics
- Government also uses other data from the OECD, aviation and special report, Department of Resources, Energy and Tourism (n.d.).

How are tourism statistics produced and used?

- a) The NVS is a quantitative research survey conducted by telephone. 10,000 respondents are interviewed using a pre set questionnaire (120,000 per annum). The telephone numbers are a random digital dial and include metropolitan and rural areas. Respondents are asked to recall their previous holiday. There are randomly selected economic questions that cover expenditure on accommodation, food and beverage, and purchasing.
- The findings are not from in-destination surveys. The overall sample size is large, but for a RTO region data has a 20% margin of statistical error, the South Coast NSW for example has a sample size of 1,400 a year (350 a quarter split between 6 LGAs).
- b) The IVS survey is conducted in the international departure halls of Australian airports and has an annual sample of 40,000. Again respondents must recall their holiday. From a regional perspective there is a 13% margin of statistical error.
- c) The STA involves accommodation providers spending revenue data to the Australian Bureau of Statistics. A request for information is sent to the participating businesses and over 90% respond, claimed by the Australian Bureau of Statistics (2012). The data is available by Small Area and by different accommodation categories. The nature of the accommodation categories may not necessarily reflect a comprehensive accommodation stock of an area, but it is what the ABS describes as an industry based listing. For example the South Coast of NSW there are only 124 accommodation contributors to the audit. They include only:
- hotels and resorts with 15 or more rooms
 - motels, private hotels and guest houses with 15 or more rooms
 - serviced apartments with 15 or more units

The survey has been reduced in recent years and excludes holiday homes (estimated to be much more than 5,000 in one of the South Coast LGAs alone), B&B's self contained cottages, properties with accommodation of less than 15 rooms, caravan sites and public camping sites (estimated at more than 300 in just one of the South Coast LGAs).

- d) The Tourism Satellite Account (TSA) measures tourism's direct contribution to the Australian economy according to agreed international standards. Data is presented at a summary level for products and services (18) that are associated with tourism and the industries (17) that produce those products and services.
- e) The Input Output table measure the whole of the Australian economy and contains information from 1284 products by 112 industries. This information is released infrequently and is not survey based, it is compiled using a number of information

sources including the tourist accommodation (Information Source 6.) from the ABS's Annual Integrated Collection (essentially registered accommodation businesses). This excludes accommodation that trades under \$228,000 per annum (considered as non-employing businesses) holiday homes (note that www.stayz.com.au lists over 32,000 accommodation providers much is informal holiday home rentals), free camping sites and operations which do not have an ABN registration.


- f) Tourism's direct and in-direct contribution to the Australian economy is calculated by Tourism Research Australia (Information Source 5). They consider the Australian Tourism Satellite Account (d above) and the Australian Bureau of Statistics Input and Output data (e above). Tourism Research Australia refer to the tourism Input and Output tables and the findings from the NVS and IVS surveys to calculate the economic multiplier for tourism, set at 0.92; which can be read in 'Tourism's Contribution to the Australian Economy', Tourism Research Australia (2011).

The benefit of the Tourism Satellite Account framework is that it records the demand side, visitor consumption. While the ABS business surveys record the supply side, operator revenues from visitors and 'locals' i.e. the total transaction. They provide consumer trends and by combining several years of NVS or IVS figures together to offer a more reliable picture can be seen. These can be extremely valuable for broad trends, competitive destination analysis and identify consumer behaviour changes.

Their weakness is that they do not provide sufficiently robust data to assist with Local Economic Development on their own. While the Tourism Satellite Accounts do carry a contribution for holiday rentals and camp sites, in the author's opinion they do not recognise their magnitude. They also do not take into account changes in accommodation types e.g. unregulated holiday homes rentals or operations that do not have an ABN registration. This could be important in a specific precinct which has very particular local accommodation types. Overall the Tourism Satellite Accounts inform at a national level not local level.

An example of local analysis

An example of the application of the NVS at a precinct level is demonstrated here. Table 1 compares different visitor spending by accommodation type. The figures are source market not from destination, and generated from the National Visitors Survey, the figures used to determine tourism's economic contribution. They provide benchmark expenditure per night ex-Sydney (main purpose of trip: holiday). These expenditure figures have been applied to Kangaroo Valley, a precinct in the Shoalhaven Local Government Area of New South Wales, Australia.

Table 1. Satellite Account – Value of Tourism applied to Kangaroo Valley 2008			
Expenditure type	Camping at Bendeela	Renting 'weekender'	Booking a B&B
	Low level of host involvement  higher level of host involvement		
Income from accommodation	Zero – free camping	10% revenue kept in KV = \$11 90% returned to owner = \$110 living in Sydney	100% earned by local business \$210
Fuel	\$20	\$10	Zero
Alcohol	\$10	\$10	\$7
Restaurants/ Takeaways	\$10	\$40	\$105
Groceries	\$5	\$25	\$45
Entertainment	\$1	\$10	\$7
Shopping Gifts	\$100	\$20	\$105
Total Potential Income	\$146	\$126	\$479

Figures rounded up

By comparing the expenditure figures with Kangaroo Valley's actual facilities shows some differences exist. For example, a zero fuel expenditure is indicated for guests staying in a B&B, yet a car is critical to visit the district as there is only a thrice weekly bus service to the village. The daily \$100 spend on gifts appears high for those campers staying at the free Bendeela Camping site as it has no shops and is 8 kms from the village. This analysis makes it hard to give such statistics credibility at a local level.

Value to Community

To further demonstrate the gap between tourism statistics and tourism at a precinct level two different Kangaroo Valley self contained B&B cottage operators were asked in 2010 to provide actual detailed breakdown of their expenditure. The operators both provide self contained accommodation in a nature area and can accommodate a similar number of guests with similar facilities. Table 2 below shows their share of local expenditure.

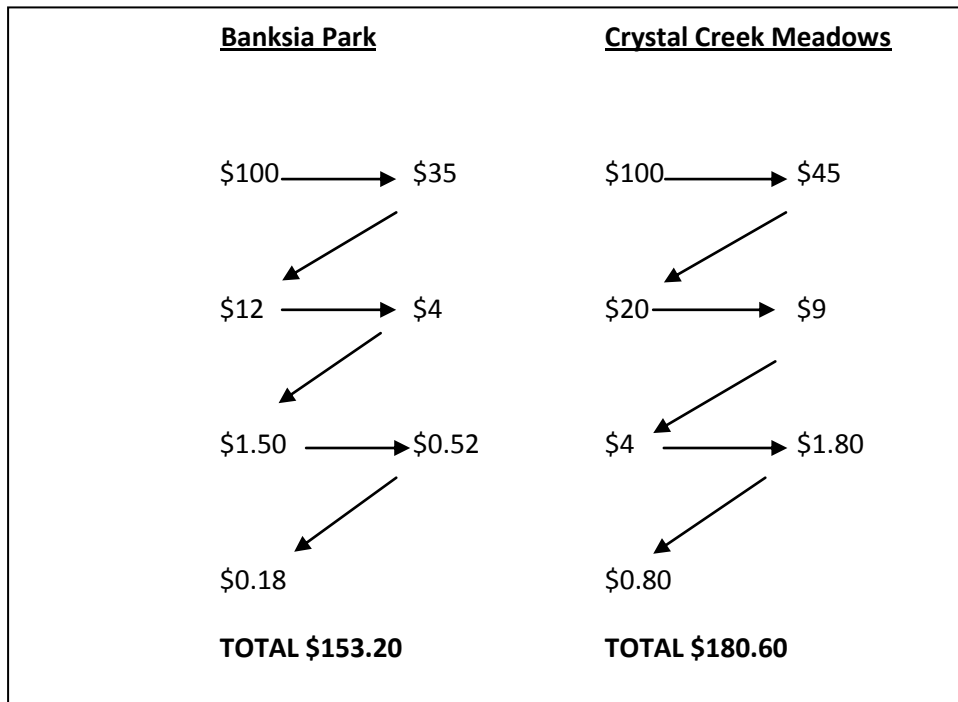
Table 2 - Accommodation Providers – Share of Local Expenditure	
Crystal Creek Meadows	49%
Banksia Park	32%

The exact trading figures for Crystal Creek Meadows, the total income generated was \$312,136, expenditure \$211,619 (excluding taxes and mortgage) and the local share was \$103,704, or 49% of total expenditure. Banksia Park's share of local expenditure was 32%.

It is both the direct and the scale of the retained in-direct value within a community that offers the source for local economic growth potential. As discussed above the retained value is achieved through the circulation of funds by the provision of goods and services. The greater the retained value the greater the economic sustainability by "plugging the leaks". This can be enhanced when these same suppliers of goods/services re-spend their income again within the community. This is generally referred to as the multiplier effect, Local Multiplier Effect (LM3).

However, at a local level the LM3 impact can be misleading, just as applying Tourism Research Australia's 'Tourism Contribution' multiplier of 0.92 would be an inaccurate measure in a precinct. Using the two different ratios of local expenditure achieved by Crystal Creek Meadows and Banksia Park (table 2), the LM3 model in Table 3 below generate significantly different findings from two similar accommodation providers.

Table 3 - Local Community Money Flows at Current Operator Ratio



The different trading behaviour between the two similar accommodation providers (table 2) in the same destination demonstrates that it is dangerous to make a single generalisation at a precinct level.

But this example also indicates the value of taking a collective approach to mobilise tourism businesses to apply a similar high level of expenditure for local products and services. This may be a more effective way to stimulate the local economy rather than solely considering expansion in the number of tourism businesses to build growth. This is because a growth in tourism businesses and visitor numbers would also have implications on the cost of tourism to government and the community. While a strategy to maximise visitor expenditure may offer a more attractive cost versus benefit analysis.

Sustainable Supply Chain Management

In 2011 Crystal Creek Meadows implemented a greener supply chain management policy which resulted in an increase in local expenditure to 71% of total expenditure. In this case local was defined as retail outlets in Kangaroo Valley Village, Berry, Burrawang and a policy of selecting only private locally owned tradesmen and suppliers in Kangaroo Valley and Nowra i.e. the closest source of supply. There are limitations to progress further due to actual resources available. This in itself can reveal opportunities for new micro and small business.

The theory of LM3 can only be maximised if the tourism business and suppliers dovetail their triple bottom line goals. Achieving this benefits the community from the retained economic expenditure. Plus tourism's promotion of local distinctive values gives the operator a competitive advantage and can build community pride fostering social benefits.

Conclusion

The NVS, IVS and 'Tourism Contribution' statistics provide regional trends but their limitations should be taken into account and data weaknesses acknowledged. To make decisions for a Local Economic Development plan the NV, IVS and 'Tourism Contribution' should form only part of the matrix of data.

The 'Tourism's Contribution' and the Australian Tourism Satellite Accounts are numeric assessments of the financial accounts. They do not provide an account of assets and other factors also critical for tourism; the natural and cultural assets, the pristine quality of the environment, negative environmental impacts, the social benefits and the conservation of Aboriginal culture (non-market valuations). These are some of the additional and vital contributors to making a destination attractive and beneficial. The volume and expenditure accounting systems provide only part of the equation. They do not provide an indication of the value of tourism, nor do they offer sufficient information to build Local Economic Development and engineer sustainable supply chain management, key factors for the growth of the visitor economy at RTO, LGA and precinct level.

Recommendations

For local tourism community groups and RTOs and LGAs, to assist in planning better Local Economic Development additional statistical information could be sort from:

- An audit of tourism businesses, in-direct products and services
- Panel surveys
- Local statistics for Visiting Friends & Relatives
- Local register of operators
- Detail statistics of local tourism expenditure
- Higher frequency of overnight and day visitors

For Public Policy Planners considering the cost and benefits of policy decisions it is therefore essential to consider market valuation (aggregating the price), non-market valuation of variables essential to tourism (through a proxy price) and the current leakage of expenditure. This would facilitate an analysis of tradeoffs between the cost and benefit, enabling a more strategic vision to tourism and Local Economic Development.

The value of the environment and local culture can be essential to the successful development of tourism. It would be better to maximise the visitor expenditure, as demonstrated (through sustainable supply chain management) than to negatively impact on the non-market variables that make tourism flourish in the first place. Such an approach would contain additional tourism costs for government and community.

Sharing Knowledge to create better tourism

Christopher Warren is the director of the International Centre for Responsible Tourism – Australia, an organisation providing responsible tourism education, research and consultancy. It is linked to sister centres in the UK, Spain, Germany, Ireland, Wales, Canada, West Africa and Belize. Christopher is also a private tourism operator, participates in local, LGA and RTO tourism boards in NSW, a policy advisor to EcoTourism Australia. In 2010 Christopher received the Ecotourism Medal; only the second time this discretionary award has been given.

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http://statistics.unwto.org/sites/all/files/pdf/australia_domestic02.pdf> [Accessed 12 March 2012]

Tourism Research Australia (2011). **Tourism's Contribution to the Australian Economy.** Canberra, Tourism Research Australia (2011).

Information Sources		
1.	The National Visitor Survey (NVS) has an annual sample of 120,000 Australian residents over the age of 15. Refer to p. 38 of the NVS publication for a discussion of the survey methodology	http://www.ret.gov.au/tourism/Documents/tra/National%20Visitor%20Survey/travel-by-australians-sept-quart-2011.pdf
2.	The International Visitor Survey (IVS) is also produced by Tourism Research Australia. It is a sample survey of 40,000 short-term visitors departing Australia, conducted in the international departure lounges at major airports. Refer p.46 onwards of the IVS publication for a discussion of the survey methodology	http://www.ret.gov.au/tourism/Documents/tra/International%20Visitor%20Survey/InternationalVisitorsAustralia,September2011.pdf
3.	Overseas Arrival and Departures statistics are produced by the ABS using passenger card data supplied by the Dept of Immigration and Citizenship. Explanatory notes discuss sources and method for OAD statistics	http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/3401.0Explanatory%20Notes1Jan%202012?OpenDocument
4.	Note the scope of the Survey of Tourist Accommodation has been reduced in recent times and currently <u>excludes</u> establishments with less than 15 rooms. Response rates for this collection generally exceed 90%. The explanatory notes discuss the scope and coverage of this collection:	http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8635.0Explanatory%20Notes1Sep%202011?OpenDocument
5.	The Tourism Satellite Account (TSA) measures the direct contribution of tourism to the Australian economy according to agreed international standards. Tourism's contribution to the economy is estimated in other research, for example by Tourism Research Australia who estimate the flow on effects from the direct effect data presented in the Tourism Satellite Account.	http://www.ret.gov.au/tourism/Documents/tra/Economic%20Analysis/Tourisms_Contribution_to_the_Australian_Economy_1997-98_to_2009-10_WEB_FINAL.pdf
6.	The Tourism Satellite account uses a sample of accommodation available in Australia.	http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8695.0Explanatory%20Notes12006-07?OpenDocument#PARALINK9
7.	Tourism Research Australia produce a report called Tourism's Contribution to the Australian Economy and quarterly statistics	http://www.ret.gov.au/tourism/Documents/tra/Economic%20Analysis/Tourisms_Contribution_to_the_Australian_Economy_1997-98_to_2009-10_WEB_FINAL.pdf