

## **ENLARGING WTO'S WORKING PROGRAMME**

1. WTO's proposals for articulating an inter-agency cooperation network
2. Background – summary description



## WTO's proposals for articulating an inter-agency cooperation network

ISSUES	Responsible (Agency/ Unit)
<b>A. ENHANCING INTERNATIONAL COMPARABILITY (2005-2007)</b>	
1. Metadata for tourism (direct and indirect) basic surveys	WTO/OMT
2. Indicators associated with tourism activity	ECLAC-WTO/OMT
3. Labour statistics in tourism industries	ILO
4. Model entry/exit cards for measuring international flows of visitors	WTO/OMT
5. Model border survey	WTO/OMT
6. Model module for measuring visitor expenditures in border surveys	WTO/OMT
7. Household Income/Expenditure Surveys: designing a model module for tourism	ILO-WTO/OMT
8. Tourism domestic surveys	Eurostat
9. Supply surveys to establishments in tourism industries	Eurostat
10. Compilation guidance for "travel" in MSITS	ITFSITS-WTO/OMT
<b>B. TSA EXTENSIONS (1) (2005-2009)</b>	
11. The regional perspective	WTO/OMT
12. Macroeconomic indicators	WTO/OMT-Stat Committee
13. Gross fixed capital formation	ISWGNA/OECD
<b>C. IMPROVING ANALYSIS (2) (2005-2009)</b>	
14. Short-term indicators	OECD
15. M.I.C.E industry indicators (*)	WTO/OMT B.Council
16. Foreign direct investment indicators	Eurostat/OECD
17. Constant prices	WTO/OMT-Stat Committee
18. Financial performance indicators	OECD

Notes:

(\*) Organization of meetings, incentives, conferences / coventions, and events, industry.

(1) All these extensions are methodological developments both of the present functional perspective of the TSA conceptual framework (11 and 12) and in the institutional approach (13).

(2) All of the related issues intend, exclusively, to improve economic analysis. No international comparability on a world-wide basis is envisaged.

## **WTO's proposals for articulating an inter-agency cooperation network: background – summary description**

### **A. ENHANCING INTERNATIONAL COMPARABILITY**

1. Metadata for tourism (direct and indirect) basic surveys
2. Indicators associated with tourism activity
3. Labour statistics in tourism industries
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### **B. TSA EXTENSIONS <sup>(1)</sup>**

11. The regional perspective
12. Macroeconomic indicators
13. Gross fixed capital formation

### **C. IMPROVING ANALYSIS <sup>(2)</sup>**

14. Short-term indicators
15. M.I.C.E industry indicators <sup>(\*)</sup>
16. Foreign direct investment indicators
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18. Financial performance indicators

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## **A. *Enhancing international comparability***

### **1. Metadata for tourism (direct and indirect) basic surveys**

Over the past few years, enormous strides have been made (by Central Statistical Offices of numerous countries, as well as by certain international organizations) in the definition of standards for the documentation of diverse aspects of the data included in general statistical publications, such as in the case of the WTO/OMT, the *Compendium* and the *Yearbook of Tourism Statistics*.

WTO/OMT's project is part of the effort of the international community for developing the required documentation that should fit user's needs: it has been developed as an adaptation to tourism statistics of the available standards developed by the International Monetary Fund, which has been joined by other international organizations (notably, the OECD and Eurostat).

Because tourism statistics include a wide range of data produced by different type of institutions (both at a national and international levels), there is a need for standards for the presentation of metadata (which is the term used for documenting the coverage, temporal reference, distribution, and an entire set of other technical characteristics of the methodology used in the collection of the data used).

For some countries, this project might seem too ambitious or somewhat unnecessary as the objective might seem to put rapidly data together and get some view on how tourism looks like. Nevertheless, WTO's experience is that too much haste, using data whose quality has not been sufficiently assessed, might lead to difficult situations in which low-quality data, used carelessly, might show a picture of tourism that is quite far from reality, compared to what more solid statistical work could show. This, in turn, might generate a general distrust towards the whole process of estimation of the economic impact of tourism.

The WTO also has a direct interest in putting forward this project, for countries to document the official statistical sources of the data they send us for the preparation of the *Compendium of Tourism Statistics* (data that support at present the international comparability of tourism activity). Our intention is to make the *metadata* received available for download, along with the available data for the country concerned, from the new "Tourism Factbook" service of the WTO e-library.

### **2. Indicators associated with tourism activity**

The set of indicators proposed, might help to rationalise statistical research in tourism and, at the same time, to promote longer-term objectives, specifically the construction of a TSA.

This proposal also identifies the organisations that would be most appropriate for calculating the set of indicators because they are the ones that supply and manage the information used. This means that it would be the actual specialists within the national institutions (mainly in the National Tourism Administrations, the Central Statistics Offices and the Central Banks) who could carry out this exercise.

Support is thus implicit for the creation of the Inter-Institutional Platform suggested by WTO/OMT for drawing up tourism statistics and the TSA, at least if calculation of the indicators given is integrated and gives rise to regular analyses of the activity in different countries pointing to the need for setting up programmes leading to the TSA.

UN ECLAC and the WTO/OMT will design the joint project and draft the corresponding document in 2005. This project will identify a central core of indicators as well as extensions to it; it will also include a model card for metadata for each of these indicators.

#### **4. Model entry/exist cards for measuring international flows of visitors**

The WTO/OMT has promoted this new project in response to the growing interest of the international community in the development of general guidelines for improving the measurement of two basic variables: international arrivals and the corresponding visitor expenditures. This interest is not just for the sake of international comparability but also to ensure credibility in relation with tourism analysis and the measurement of tourism economic impacts both in a national or international context.

The second step of this initiative focuses its attention on what is undoubtedly the most relevant indicator in the statistical measurement of tourism, cross-border non-resident visitor flows, and its characterization in accordance with the basic tourism concepts and classifications established by the WTO/OMT and approved by the United Nations Statistical Commission in 1993.

It should be understood as the logical continuation of the one mentioned above, and which shares the same methodological approach. This is also based on the WTO/OMT's belief that the improvement and standardization of statistical data collection and measurement instruments in the field of tourism, through the dissemination of experiences and the development of specific methodological approaches, leads to increasingly reliable and comparable estimates of the different physical and monetary data available.

#### **5. Model border survey**

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The first step of this initiative was the research "*Measuring Visitor Expenditure for Inbound Tourism*" being its purpose to estimate visitor expenditure associated with inbound tourism. In some of the cases which were analysed, estimating expenditure is the main aim of these operations; in others, this estimation is just one of the uses of a questionnaire basically designed for other purposes.

The model surveys proposed by WTO/OMT has taken into account the measurement of the economic impacts of tourism from a macro-economic perspective (of interest for Central Statistical Offices and Central Banks in connection with the estimate of Household final consumption expenditure of the Balance of Payment) as well as the needs of the National Tourism Administrations for marketing and analytical purposes.

This proposal responds to the belief, shared by the four sponsors of the research (Canadian Tourism Commission, Instituto de Estudios Turísticos - Spain -, Swedish Tourist Authority and World Tourism Organization), that the type of data on tourism required both by the public and the private sectors has changed in nature. Besides quantitative information on the flow of visitors such as arrivals, overnight stays and descriptive information on the conditions in which visitors are received and served, countries now need robust information and new monetary indicators to enhance the credibility of the measurements concerning the economic importance of tourism.

## **7. Household Income/Expenditure Surveys: designing a model module for tourism**

Although it is not yet consistently reported and/or aggregated at national or international levels, domestic tourism potentially contributes a major share of the aggregate volume and presumably the value of tourism activity to both national and international tourism economies.

The WTO/OMT considers the Household Income/Expenditure Surveys (HI/ES) to be an ideal instrument for estimating domestic tourism expenditure based on two main reasons: first, because of the solidity of this instrument of statistical observation, primarily designed and used to measure the consumer expenditure of resident populations; and secondly, due to its widespread use in different countries.

WTO/OMT's understanding is that each of our experiences as of the present time corresponds more or less to one of the following scenarios:

- surveys specifically designed to estimate tourism expenditure;
- surveys specifically designed to analyse the tourism behaviour of the resident population and include certain questions on tourism expenditure;
- design of sub-samples to estimate tourism expenditure in HI/ES;
- inclusion of certain questions on tourism expenditure in HI/ES.

As for the "specific" surveys, their sample design should necessarily be very similar (if not identical) to that of HI/ES. As is well known, this type of household surveys are complex and costly, and so it is reasonable to think that only a very limited number of countries would be able to maintain continuous operations of this nature. The more usual case would be for a country that carries out an initial specific survey, to find the appropriate indicators in order to periodically update the main aggregates obtained from the initial exercise.

## **8. Tourism domestic surveys**

After a very large process, Europe constitutes increasingly an economic entity on its own.

Alongside with an increasing economic interrelationship, statistical instruments under the leadership of Eurostat, have also tended towards a greater convergence of methodology and contents, aiming at making it possible to add and reconcile data produced within each individual Member States in order to obtain data which would fairly represent those of the Union as an entity.

Obviously, this is also true in the case of tourism statistics. For this specific domain, the phenomenon of interconnectedness has been amplified by different measures which have been taken in recent years, such as the creation of the Schengen space, within which individuals (thus visitors) can move freely without border controls, and the adoption of a unique currency by many of the Member States, the Euro, which also makes still easier the economic activity within its space, for residents of the Union and for foreigners to the area.

Various countries of the Union have developed TSA compilations, with various levels of developments: Austria, the Netherlands, Spain, France, Sweden, etc.. Many others have such projects or parts of it underway. Most have developed procedures in order to have an increased knowledge of tourism flows and of economic transactions associated to these movements. But insofar, these initiatives have been in a certain way developed side by side, maybe with a global harmonization of procedures but scarcely of procedures and results.

In the case of households surveys, a relevant contribution would be to analyze the mutual relationships with HI/ES, specially in relation with their sample designs, the procedures for upgrading sample data and their consistency in both types of surveys (both in the socio-professional characteristics of the respective reference populations and in the associated tourist expenditure).

## **9. Supply surveys to establishments in tourism industries**

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In the case of annual business surveys, a relevant contribution would be to analyze the consistency in the estimations obtained for a same variable (like tourist overnight stays and average length of stay) with the sources that are available on the demand-side in the case of tourist movements of residents (obtained from the corresponding household surveys designed for tourism purposes).

## **10. Compilation guidance for “travel” in the Manual on Statistics of International Trade in Services (MSITS)**

During the Seventeenth meeting of the Inter-Agency Task Force on Statistics of International Trade in Services (ITFSITS), held at IMF Headquarters, Washington, 3-4 November 2003, IMF presented the draft annotated outline (AO) for the revision of the fifth edition of its Balance of Payments Manual (BPM5).

Consistently with previous agreements to pursue a modular approach to compilation guidance, the ITFSITS identified *“two main areas on which immediate work is focused – the provision of guidance on 1) alternative methods of compilation of the travel services component of the Extended Balance of Payments Service (EBOPS) classification and 2) compilation of statistics on the activities of foreign affiliates (FATS). For the first of these, IMF staff will work in association with the WTO/OMT and the Chairman of the Eurostat Technical Group Travel to build on the work previously produced for Eurostat by a consultant. This Group will first develop a structure outline for a training module that would be applicable to all compilation guidance produced by the Task Force. The development of guidance for travel services will use this structure outline and incorporate existing compilation guidance, including that which has been developed by WTO/OMT. Guidance will be for the classification recommended in the Manual, but will bear in mind possible changes that may be introduced as a result of the revision of BPM5”*.

As a result of this agreement, a first draft of a document: "Compilation Guidance for travel services" was presented to the ITFSITS meeting at OECD Headquarters, Paris, in April 2004, by WTO/OMT.

## **B. TSA EXTENSIONS**

### **11. The regional perspective**

Intrinsically, tourism is concerned with a geographic dimension, as visitors are observed in their displacement in space, away from their usual environment.

This geographic dimension is first observed at a national level, at which basic statistics are usually compiled.

As the understanding of how tourism markets work (and consequently, the importance of measuring tourism flows between markets, identify the related tourism products, etc.) is principally related to subnational levels, it is clear that the local dimension is fundamental for the analysis of tourism and the design of regional policies.

### **12. Macroeconomic indicators**

The 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.

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.

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.

### **13. Gross fixed capital formation**

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, labour inputs, fixed capital formation and identify the stock of fixed capital allocated to the process.

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.

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.

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.

## **C. IMPROVING ANALYSIS**

### **14. Short-term indicators**

*A first initiative* relates to developing short-term indicators based on tax records.

WTO/OMT's carried out a research on experiences carried on in Australia, France, Netherlands, New Zealand, Spain, United Kingdom and United States, in order to evaluate, if sources such as Value Added Taxes (VAT) and the Business Income Forms

– including either Corporation/Individual/Partnership/Sole Proprietorship Taxes – and Employer Returns Tax (or equivalent figures in different countries), could be of interest for tourism indicators.

Regarding short-term indicators, the use of VAT data (or on other equivalent figures such as the Goods and Services Tax (GST)) offers enormous possibilities for complementing short-term tourism statistics from the point of view of the overall economic business cycle. More specifically, the applications developed in four of the countries analysed (New Zealand, Spain, France and Canada) are sufficiently illustrative of our conviction that this source could be especially useful for providing output indicators on a monthly/quarterly basis in relation to tourism industries.

*A second initiative* relates to the suitability of business tendency surveys. Tourism is a phenomenon mainly of demand and short term: therefore, demand forecast becomes essential in any scenario: specially in those activities like tourism characterized by the effect of seasonal factors, which must always be better known and evaluated in order to suitably streamline entrepreneurial response to tourist demand and its different components. At present, France, Canada, Brasil and Spain have implanted them.

## **15. M.I.C.E industry indicators**

The Meetings, Incentive, Conference and Exhibition Industry is an important part of tourism but unfortunately its size and importance is not reflected properly in the official statistics.

National Bureaus for Statistics - as one example - are not including the activities of meetings segments like Conferences, Exhibitions, Incentives etc in the structural and economic statistics mainly because regional methodology like EU methodology on collection of statistics does not include nor support monitoring of such figures.

Part of the spending of this segment is captured in the overall spending (accommodation, air travel, etc), however large amounts are simply not recognised at all: audio-visual renting, catering, signage, conference materials, transfers, etc.

With no officially agreed basic data and the National Bureaus for Statistics not being the natural interlocutor for the key stakeholders within the meetings industry, the present national measurement of the economic impacts of the meetings industry do not pay justice to what is the reality.

Consequently, the measurement of tourism activities in a global macroeconomic framework like the TSA is not properly adapted to identify the economic importance of the different segments and of the whole of the so called “business tourism industry”.

The present situation is that a number of local initiatives – without interrelation - on measurement of the importance of conferences etc are flourishing, which by the end of the day is detrimental to the recognition of the Meetings Industry and its role within international tourism.

As a reaction WTO/OMT Affiliate Members Reed Travel Exhibitions and ICCA – in cooperation with MPI - took the initiative to encourage the WTO/OMT to focus more on the Meetings Industry and in partnership to undertake a study that would lead to proposals for the improvement of the TSA to reflect the real importance of the Meetings Industry and its contribution to tourism.

## **17. Constant prices**

Price trends are implicit within consumption data at any given point in time: consequently, to be able to deflate the information contained in the TSA, there must be a set of indices tracking the time trends in the prices for the products concerned.

The implicit index is the first of the indices presented naturally. In national accounts the Gross Domestic Product (GDP) deflator is simply an index constructed on the basis of changes in the aggregate (GDP) and thus provides a reflection of the overall trend for each and every one of the prices making up that aggregate. Similarly, in the framework of the TSA, the possibility of calculating an implicit index of the kind mentioned above for such aggregates as tourism GDP can be intuited.

The trouble with indices of this type is that they take all prices into account and hence are not appropriate for measuring change in a specific group of prices, for instance, the prices of the products that account for tourism consumption. Following this same example, the situation becomes much more problematical when trying to increase the level of disaggregation and thus measure prices for such magnitudes as outbound tourism, inbound tourism, or domestic tourism.

In the case of consumption, the Consumer Price Index (CPI) is the most widely used. This type of index is constructed on the basis of data provided by the Household Income/Expenditure Surveys.

## **18. Financial performance indicators**

In spite of the evolving consensus on the benefits of tourism satellite accounts, the tourism business sector in general, have not made use of information made available when making investment decisions and preparing long-term business strategies. Information produced by satellite accounts, although useful in setting national strategies and priorities, has not been considered applicable to the decision-making process at the corporate table, or in providing an improved service or product to consumer markets.