FORESIGHT
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FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month "Market Focus" discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, a spotlight is focused on a significant tourism issue. This month Market Focus covers the Benelux countries and Ireland. Issue of the Month explores Tourism Satellite Accounts and reviews progress in building a national TSA for the United Kingdom.

Market Focus – Benelux and Ireland

An increase in the number of visits to the UK was recorded from each of Belgium, Netherlands, Luxembourg and Ireland in 2004 (the last year for which full-year figures are available), but 2004 was not a record year for visits from either Belgium or the Netherlands. When considering how much visitors from each market spent during their visit to the UK in 2004 only the Netherlands managed to set a new record.

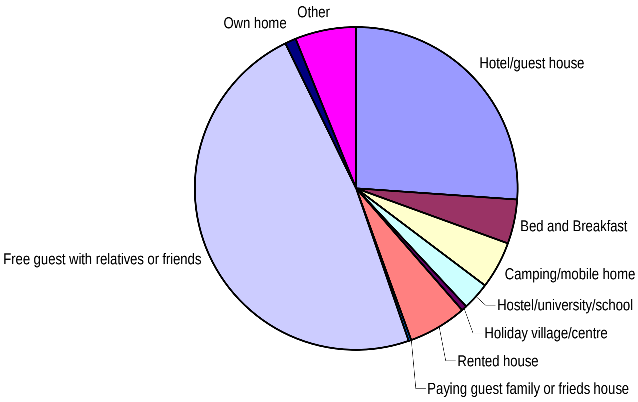
Nevertheless, with 5.37 million visits (19% of all visits) and spending totalling nearly £1.46bn (11% of all visitor spending) figures from the International Passenger Survey[1] demonstrate clearly that the Benelux countries and Ireland remain vital markets for the UK visitor economy.

Accommodation

From 2004 a question has been included in the IPS asking about the types of accommodation stayed in during the stay in Britain. This provides vital information enabling us to get a better understanding of the preferred forms of accommodation for visitors from different markets and travelling for different journey purposes.

The pie chart shows the proportion of visitor nights spent in each form of accommodation by visitors from the four markets during 2004. It is clear that the biggest share of nights is spent as a free guest of relatives or friends. The paid-accommodation type with the highest market share is Hotel/Guest House, accounting for more than 25% of all visitor nights.

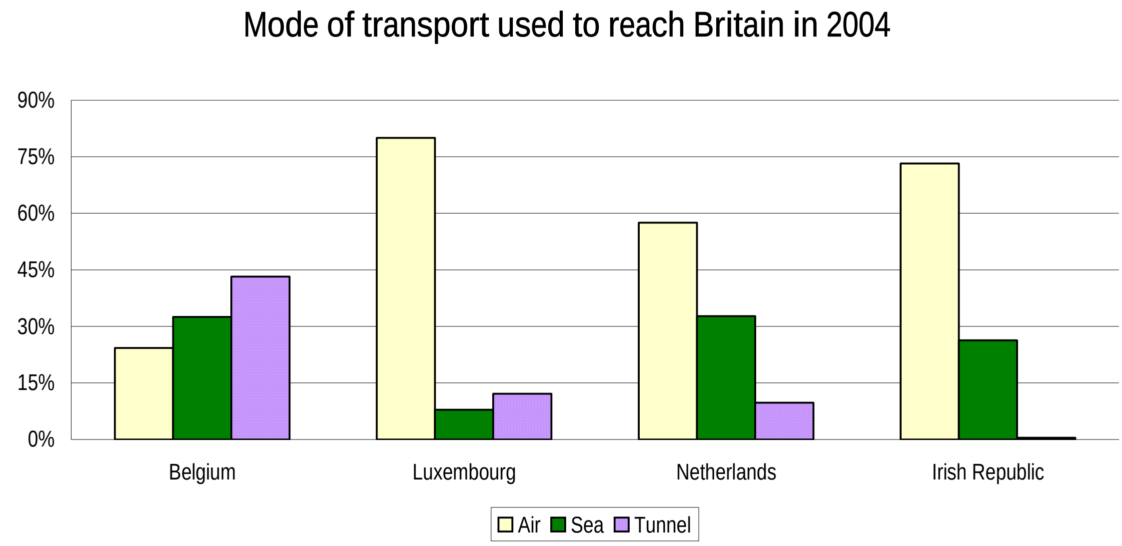
Visitor nights by type of accommodation



Camping/mobile homes account for 5% of visitor nights, a figure that stands at 10% if we look solely at the Dutch market, underscoring the Dutch penchant for outdoor activity.

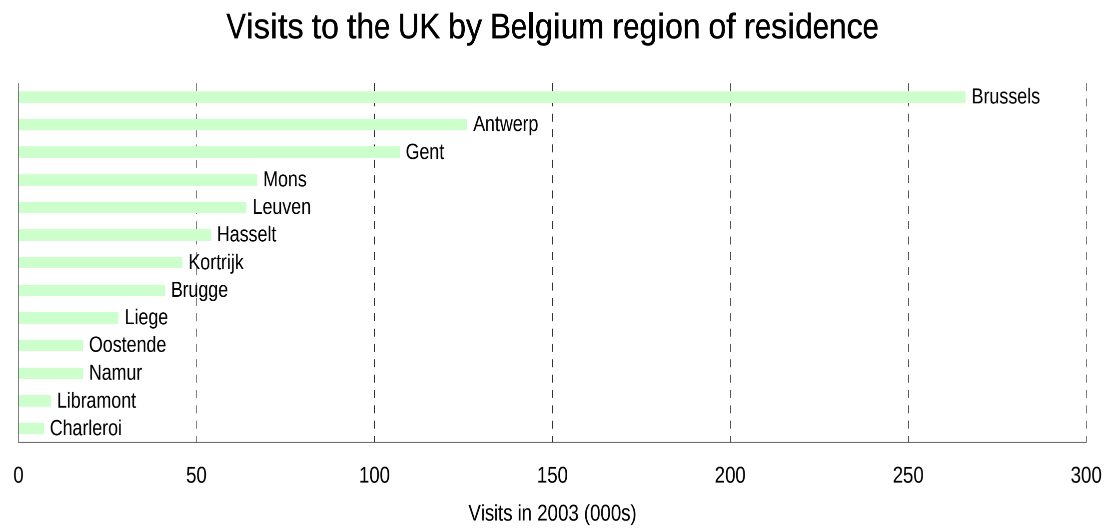
Planes, boats and trains…

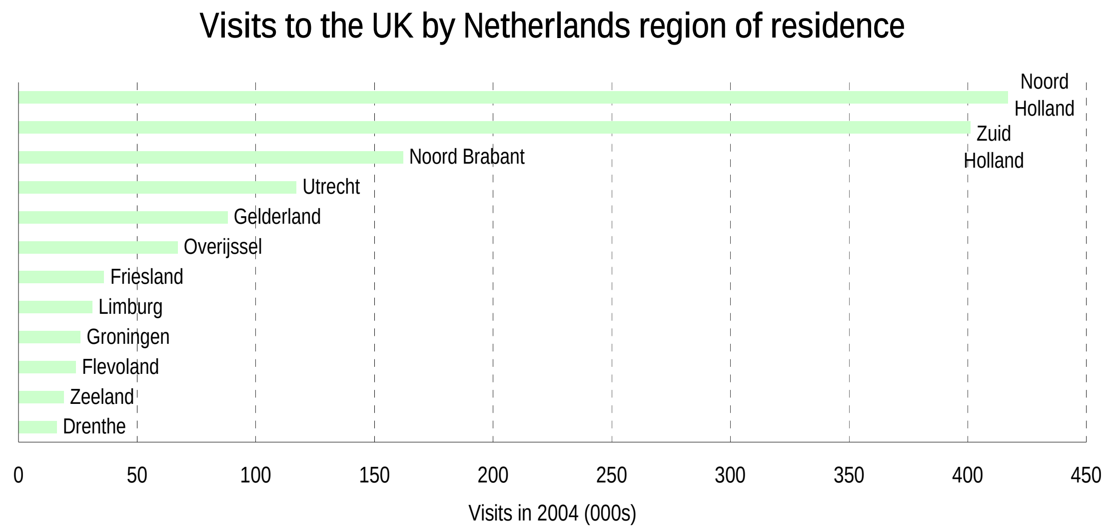
The following chart highlights the dominance of air travel as a way of getting to and from Britain for visitors from Luxembourg, the Netherlands and Ireland. Perhaps the most striking observation is that the Channel Tunnel is the most popular means by which to travel to Britain from Belgium, with air travel back in third position. A key factor is the reduction in Eurostar journey times delivered by Phase 1 of the High Speed Link. A quarter of visits from Ireland are by ferry, but if we look back a decade ferries enjoyed a market share of more than 40%.



Where from?

Each year visitors from a small number of countries are asked more detailed questions about their region of residence. The two charts that follow show figures for Belgium and the Netherlands, excluding those visitors for whom no region of residence was recorded. It can be seen that more than twice as many Belgium visitors come from Brussels than from any other region in Belgium. For the Netherlands the regions of Noord Holland and Zuid Holland dominate.





Belgium

The Foreign and Commonwealth Office estimate that there are around 27,000 British nationals living in Belgium, with a similar number of Belgians living in the UK. IPS figures for 2004 reveal that although 75% of visitors to the UK from Belgium were indeed Belgians, some 12% were in fact British nationals who currently live in Belgium.

As we have seen, sea-crossings remain an important route for accessing Britain from Belgium, but in recent weeks Superfast Ferries has cut its service from Zeebrugge to Rosyth in Scotland from daily to three times per week.

Netherlands

A Dutch Whisky Festival took place last November in the city of Leiden, attracting an attendance of more than 5,000 locals. This marks just one aspect of Dutch interest in Scotland, with the Scottish Tartans Authority having officially registered a new tartan for the Dutch last summer. There are a number of direct air routes linking the Netherlands to Scotland, with Amsterdam connected to Edinburgh, Glasgow and Aberdeen and Groningen connected to Aberdeen.

The Anholt-GMI Nation Brands Index helps us understand perceptions of different aspects of Britain among 1,000 Dutch respondents. The latest figures reveal that the Dutch have a high opinion of the UK in terms of “culture”, ranking the UK in second place behind China. The UK is also ranked second in terms of “Investment”, behind Canada, as a place the Dutch would be happy to live and work in, and a good place to study for educational qualifications.

The Dutch appreciate products made in the UK (“exports” is ranked 4th behind Japan, US and Germany). Overall, the British “people” are rated well by the Dutch, in 5th place behind Canada, Australia, New Zealand and Sweden. “Governance” and “Tourism” are both in 8th position (out of 25).

Luxembourg

Luxembourg is connected to London City by both Luxair and VLM, with typically seven flights per day, and linked to both Gatwick and Heathrow by BA and Luxair respectively. The only regional connection from Luxembourg is a daily Luxair service to Manchester.

The Foreign and Commonwealth Office note that Luxembourg does not currently have its own fully-fledged university. Britain is a clear beneficiary of this situation as it is estimated that one-in-ten Luxembourg undergraduates opt to study in Britain, with figures from UCAS showing that in 2004 169 Luxembourgers accepted offers of places at UK Universities.

Ireland

In 2004/5 Ireland was the fourth largest investor in the UK in terms of the number of jobs underpinned by foreign investment. The Foreign and Commonwealth Office believes that Irish investment plays a major role in 1,985 business units across the UK. Perhaps surprisingly the UK is not the largest inward investor in Ireland, this mantel is held by the USA.

Ireland is a short-stay market for visits to Britain. One-in-ten visits from Ireland did not involve an overnight stay in 2004, with these “day-visits” accounting for £27m of visitor spending. A further 57% of visits from Ireland lasted for between 1 and 3 nights.

The Irish economy continues to post performances that are the envy of most other Eurozone countries, with GDP increasing at an annual rate in excess of 4%, unemployment well under 5% of the labour force and rising consumer confidence. However, a potential concern for the future, according to the Economist, is the increasing level of private indebtedness.

How did we do in 2005?

We need to wait until later in 2006 before we get definitive figures for the number of visits to the UK from each of these markets during 2005, but provisional figures for the first ten months of the year suggest that Ireland and the Netherlands will have witnessed a strong performance relative to 2004, but that visits from Belgium and Luxembourg are very similar to the numbers seen in the previous year.

Issue of the Month – Tourism Satellite Accounts

Politicians, industry leaders, the press and academics are just a few of the groups who regularly pose questions such as “just how important is tourism?”, “how many jobs depend on tourists?” and “is tourism growing in line with general economic activity?”. It is possible to devise surveys and analysis that would go some way to tackling each question individually, but through the development of a Tourism Satellite Account it is possible to address each question in the context of a credible and robust data framework. This month we take a look at what a TSA is, how it can be used and reflect on the current state of development in the UK. For a more thorough introduction a set of hyperlinks appear in the final section of this article.

What is a Tourism Satellite Account?

A Tourism Satellite Account (TSA) is in essence a set of data tables, which, taken together, enable the user to understand the true economic significance of tourism within a nation (or region). A TSA enables us to move away from thinking about a “tourism industry” made up of hotels, tour operators etc, to thinking about a “tourism sector”, which includes both the traditional tourism businesses, but also encompasses the impact on all those businesses who benefit from the activity of tourists but would not be classified as a “tourism business”.

By way of illustration a tourist can generate revenue for a corner shop by popping in to buy a bar of chocolate, at a petrol station by stopping to top up the car during a tourism trip, banks through purchase of foreign currency or travel insurance and so on. A TSA will represent the value of tourism to all of these businesses taken together and, in its most developed manifestation, tell us about the number of jobs that tourism activity underpins across the economy. A TSA covers both the demand-side and supply-side of tourism activity, allowing us to move away from thinking of tourism simply as a consumption activity to one that incorporates production too.

In constructing a TSA it is possible to base the analysis on methodology approved by the World Tourism Organisation, Organisation for Economic Cooperation and Development and EUROSTAT. This leads to a fundamental cornerstone of why TSAs are “a good thing”. A fully-fledged TSA allows us to directly compare the scale and role of tourism activity within one economy with that of another. Furthermore, a TSA will adopt standards used in the construction of “national accounts”, meaning that it will hold credibility with key political decision makers within the Treasury and with other figures published by a country’s national statistics office.

The Tables

When fully built, a TSA has ten separate, but often inter-related, tables as shown in the box.

Table 1: Inbound tourism expenditure (equivalent to an export)
Table 2: Domestic tourism expenditure (one element of overall domestic consumption)
Table 3: Outbound tourism expenditure (equivalent to an import)
Table 4: Domestic “tourism final consumption” (based on Tables 1 and 2)
Table 5: Production of tourism commodities (services and products of tourist and non-tourist industries)
Table 6: Domestic supply and consumption by product (a key TSA table, based on Tables 4 and 5)
Table 7: Employment and labour use
Table 8: Tourism fixed capital formation (equivalent to “investment”)
Table 9: Tourism collective consumption
Table 10: Non monetary tourism indicators (for example the total number of inbound or domestic visits)

The headline numbers emerging from TSA tables can often cause alarm because they appear to be different from the numbers that have commonly been quoted in the past. This is nearly always down to definitional issues, meaning that sometimes its necessary to "read the small print" to understand what the figures really represent. Some examples of where a TSA based figure differs from the numbers commonly used to "describe" tourism in the past appear in the following box.

Table 1: includes spending on travel to and from the UK accruing to UK based operators
Table 2: includes spending by UK residents in the UK on components of their foreign trip (eg travel costs, film for camera, payments to UK travel agents etc)
Table 4: includes an allowance for the margins of travel agencies and tour operators
Table 5: estimates are made for the percentage of products sold by each industry that are sold to tourists, for example 71.5% of "accommodation services" are estimated to have been sold to tourists, 43% of "restaurant, bar and catering services" and so on
Table 7: figures represent the total number of jobs supported by tourism expenditure, not the total number of jobs in tourism related industries, for this reason Table 7 tends to generate a lower figure than the traditional method

TSA frontrunners

It is widely acknowledged that the "gold standard" in TSA development and usage can be found in Canada. The first TSA for Canada was published in 1994, using data for 1988. This reveals an important caveat to the timeliness of TSAs. Whilst the time-lag can be reduced if data collection and national accounting frameworks permit, it is never the case that a full TSA for a given year will be available within a few months of that year ending. It is necessary to "roll forward" the TSA results based on more timely data, with periodic "root and branch" analysis to produce a fresh TSA itself.

Australia, New Zealand, Switzerland, Norway and Mexico are just a few of the countries worldwide that are in various stages of TSA development, each of which has cited numerous benefits from having set off on the journey to produce a TSA.

Multi-agency cooperation

This is a fundamental prerequisite for any national TSA to be built and properly maintained. The WTO believe that a national TSA needs to be led by central government, with the close involvement of the national statistics office or central bank (whichever produces the national accounts), the national tourism administration and industry leaders. No single organisation can develop a functioning TSA in isolation, nor can a TSA be constructed without the input of considerable resource in terms of finance, time and expertise.

Development of a TSA is not a "one-off" event, as noted earlier a number of countries having built a TSA are at different stages of development. It requires both periodic updating using routinely available data series and, when practical, improvements in the robustness of the underpinning methodology. Organisations such as VisitBritain would be a key "user" of a TSA, not the organisation charged with producing the tool – this sits firmly with central government.

A national TSA for the UK

In its "First Steps" report DCMS acknowledges that at present the UK TSA does not include Tables 8 and 9 and that the structure of the employment table is still subject to discussion.

Weaknesses in some of the inputs to the TSA are also recognised due to current survey limitations, and incomplete information regarding the proportion of goods and services sold by different industries that are bought by tourists. This means that at present the UK has a "pilot" account.

Top-line results (uplifted from base year of 2000 to 2003)

Tourism contribution to the UK economy accounted for by "Tourism Trips":	£74.2bn
Value of Total Tourism Consumption in the UK:	£91.8bn
Tourism "Gross Value Added":	£32.8bn
Tourism GVA as % of UK GVA:	3.4%
Employment – jobs supported by tourism expenditure *(provisional)*:	1.40mn

Filling the gaps – marketing benefits

There are perhaps two distinct "wings" of beneficiaries from the data that is compiled in order to build a TSA and the end product itself, namely those needing high quality in-depth market intelligence and those developing the policy framework within which tourism takes place. In this and the following section we consider a small number of the potential spin-off benefits of developing a world-class TSA for the UK.

Marketeers rarely get overly excited about statistical frameworks or "national accounts", but the wide scope of data that needs to be collected to construct a fully-functioning TSA is able to deliver real benefits to those responsible for marketing a destination and not just those "administering" tourism.

That is not to say that many of the pieces of information needed to form a TSA cannot be generated independently. However, marketing decisions, and requests for sufficient funding to underpin these decisions, will hold greater credence if they can be shown to be built upon solid statistical foundations.

Levering in traditional and non-traditional marketing collateral is becoming an ever more pressing need for national tourism organisations and being able to demonstrate the importance of tourist expenditure to potential partners is a vital aspect of achieving this.

A good example comes from Mexico. As part of constructing a Mexican TSA a sample of tourists were invited to take part in a survey covering their spending behaviour in Mexico. As is necessary for a TSA to be credible the questioning went beyond looking at total spending to find out how much was being spent on different categories of goods and services. As a result of this analysis it was possible for the Mexican National Tourism Organisation to enter into an innovative marketing campaign with a brewery based on the evidence emerging from the TSA on the amount of money spent by visitors on beer.

The last time anything similar took place covering inbound visitors to the UK was in 1996 when a sub-sample of IPS interviewees was questioned about spending in 16 expenditure categories. Nearly a decade on it would seem highly desirable for this exercise to be repeated and extended, giving us up-to-date information on the extent of inbound visitor spending, including travel costs to/from the UK, and on how much is spent on different goods and services.

In order not to undermine the robustness of the mainstream IPS questions it would seem apposite to direct this complex and time-consuming question to a "booster sample" of several thousand inbound visitors. Clearly such information cannot be obtained without incurring significant additional survey costs.

The newly revamped United Kingdom Tourism Survey that measures overnight trips within the UK by UK residents splits down expenditure into eight categories including accommodation, eating and drinking and so on. Compatibility between the expenditure categories used across the various tourism surveys is imperative.

Filling the gaps – policy benefits

One of the central planks running through Government policy is to improve skills and productivity throughout the economy. Reaching agreement on a satisfactory structure for the TSA employment table would deliver an opportunity to understand the productivity of the tourism sector relative to other sectors, and more fully appreciate the "real" impact on jobs of potential policy decisions or "shocks" that impact on the level of tourism expenditure. Labour force surveys that identify the characteristics of those working in tourism can help the sector better understand the scale and nature of staff churn and reveal the extent to which tourism provides employment opportunities for different socio-demographic groups within society.

What TSAs cannot do

There are a number of areas where TSAs in their currently agreed form cannot help quantify the impact of tourism activity. For example a TSA cannot measure the role of tourism in terms of degradation of ecosystems, cultural and built heritage or the environment. It is necessary to develop alternative measures to capture these impacts.

A TSA is no substitute for an economic impact evaluation of discrete tourism ventures that may be under consideration, TSAs merely describe and measure the scale and composition of tourism. Finally, the current UK TSA does not enable the user to figure out tourism multipliers, as this would require data that is not easily available or up-to-date, with the most recent set of Analytical Input-Output tables having been published some sixteen years ago.

Regional developments

All English Regional Development Agencies have contributed towards a first stage project looking at the feasibility of developing regional Tourism Satellite Accounts across England. A draft report has been produced by the Cardiff Business School and was considered at an event held in July 2005. One of the key conclusions of the event was that development of regional TSAs would be in part dependent upon improvements to data at the national level "and as such, without DCMS acting on the recommendations from the National Tourism Statistics Review, only very limited progress will be possible at the regional level".

Work has been undertaken in both Scotland and Wales to develop a TSA for each country, but as with the regions of England data limitations at the national level feed through to work at a sub-national level.

Other approaches

Building a TSA takes a considerable amount of time, money, expertise and inter-organisational cooperation, and however desirable a fully-fledged TSA may be, the funding for its development and ongoing robustness has to compete with a multitude of demands for public money to be used in different ways.

The World Travel and Tourism Council (WTTC) has utilised available data on relationships between tourism and other parts of the economy in a number of countries that have well-oiled national accounts and applied these to more than 160 nations in order to produce a "synthesised" TSA for each. This means that the WTTC approach is more "top down", whereas the WTO-preferred method is to build a TSA from "bottom up".

Another important factor to consider when comparing WTTC figures with those published "on-territory" for certain countries is that the WTTC are more "all inclusive" in their definition of tourism expenditure, including items such as government spending, and a proportion of expenditure on multi-purpose consumer durables not purchased during a tourism trip (for example a camera or suitcase).

Looking forward

The UK has taken the first steps towards building a TSA, but has a long way to go before it can claim to be in the same league as nations such as Canada and Australia. A TSA cannot be fully completed "over night", but abandoning such an endeavour before reaching the eventual goal of a complete TSA brings with it the risk of building up expectations only to disappoint in the long-run. In its "First Steps" report DCMS concludes that a further iteration in building a UK TSA is unlikely to prove value for money until improvements have been made in the underpinning data sources, including fuller information on tourism expenditure by individual categories.

Some pertinent conclusions for the future of TSA development in the UK emerged from a recent World Tourism Organisation conference. In the first place it is essential to have strategic objectives covering what it is you want to do with the TSA once it is built. As mentioned earlier multi-agency cooperation is crucial, but this brings with it the potential for the project to become "rudderless", with no single organisation being in the lead ensuring both direction and momentum.

In order that the very real progress made in producing a TSA can be built on over the coming years now would seem to be the time for a decision on which organisation will champion future development, with this body then setting out an action plan that has the buy-in of the key agencies. In line with WTO recommendations, and those of the Allnutt Review of Tourism Statistics, the natural home for such work ought to be a central government department, with DCMS and the Office for National Statistics the two primary candidates.

For more information on Tourism Satellite Accounts...

Department for Culture, Media and Sport "First Steps Project":
http://www.culture.gov.uk/tourism/QuickLinks/publications/?properties=archive%5F2004%2C%2C
World Tourism Organisation: http://www.world-tourism.org/frameset/frame_statistics.html
World Travel and Tourism Council TSA Research: http://www.wttc.org/2004tsa/frameset2a.htm
Organisation for Economic Cooperation and Development "employment module":
http://www.oecd.org/dataoecd/31/15/2401928.pdf
Allnutt Review of Tourism Statistics:
http://www.culture.gov.uk/NR/rdonlyres/1534A0B3-AFA5-453F-9392-2A10B51781EB/0/NSReviewEsummary.pdf

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