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A Case Study of the Canadian Experience with the Tourism Satellite Account

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A CASE STUDY OF THE CANADIAN EXPERIENCE WITH THE TOURISM SATELLITE ACCOUNT [1]

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for the

The Tourism Working Group of the Asia Pacific Economic Cooperation Council

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Abstract

Governments throughout the world are under pressure to recognize and support tourism in the structures of government, devoted programs and funding, subsidies and public-sector promotion. In Canada, developing the Tourism Satellite Account (TSA) was an important step in obtaining such recognition and support. This paper describes the Canadian experience with the TSA, including the initial partners and main drivers involved, pre-implementation and development processes, the methodological approaches and challenges, and the results obtained. It then examines how Canada's national tourism industry and the national tourism agency, the Canadian Tourism Commission (CTC), have used the TSA and what benefits resulted. Next, the paper discusses extensions developed beyond the basic account and their results and implications. The final section examines future developments envisaged for Canada and key lessons learned.

Préface

The following report was prepared as a Canadian contribution to a multi-country survey of best practices in Tourism Satellite Accounts (TSA) conducted by the consultants of the Tourism Working Group of the Asia Pacific Economic Council (APEC). The consultants selected Canada as a member economy from which they requested a detailed descriptive case study for inclusion in their best practices report. As such, the report is planned for separate publication (date unknown) as an integral part of the overall APEC tourism working group report.

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March 2002

1. Introduction

Two major challenges confront any national government or national tourism industry organization: first, to develop a coherent, shared and defensible view that it represents national tourism industry sector, with clear definition and scope; and second, to credibly measure the current situation of the sector in the national economic context. Formerly, these tasks seemed particularly daunting because, statistically speaking, “the tourism industry,” or more precisely, the “collection of tourism industries identified in the tourism sector,” does not exist as a distinct entity in the statistical system. The data on various aspects of the economic activities associated with tourism are present in the statistical infrastructure, but they are fragmented and dispersed.

In response to this challenge, in July 1994, Statistics Canada released a new analytical tool for the Canadian tourism industry, the Tourism Satellite Account (TSA). In taking this step, Canada followed and extended the earlier work of France in the mid 1970s in formulating the concept of satellite accounts in general, and piloting a satellite account for tourism in particular.

The study, completed in 1994 by Statistics Canada, established definitively that tourism is an important sector of activity in the Canadian economy. For the first time, the study revealed 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. It showed that tourism contributed more to the Canadian economy than was previously believed and was a significant Canadian export. Additionally, the study showed that the share of tourism in total employment was higher than its share in total GDP. Finally, the study showed that the influence of tourism in non-traditional industries played a more important role in the national economy than previously understood.

This paper summarizes the experience of developing the Canadian TSA, including the basic initial partners and main drivers involved; the pre-implementation process; the actual development process; the methodological approaches and challenges; the actual results obtained; and their significance. The paper examines how Canada's national tourism industry and the national tourism agency, the Canadian Tourism Commission (CTC), have used the TSA results, and the emerging benefits. Next, it reveals what extensions have been developed beyond the basic account and what results and further implications have emerged from these extensions. The final section examines future developments envisaged for Canada and key lessons learned.

2. Rationale and History of the Canadian TSA

Canada's interest in the concept of a tourism satellite account dates to 1984. At that time the Canadian National Task Force on Tourism Data proposed a tourism specific application of the broader French concept of “satellite accounts.” Initiated by key government stakeholders and industry representatives from tourism, various industry associations, government agencies and academic institutions interested in tourism, the Task Force was formed to develop ways to ensure the industry got information required for enhancing strategic planning, marketing management and profitability.

One Task Force working paper summarized a successful feasibility study of building a tourism satellite account to link the Canadian systems of tourism statistics and national accounts. The paper described the original Canadian concept for a tourism satellite account and the associated characteristics and benefits. The original Canadian TSA was seen as both a “multi-layered data base” and a “modular information system.” Layer 1 consisted of the “core account module containing the key monetary measures that provide the link to comparative measures in the System of National Accounts. It was designed to provide an overview of tourism activities in current and constant dollars. It establishes the relative importance of identified tourism components to the overall tourism activity and to other economic activities in these monetary terms. In this way, the TSA met one of the primary requirements of the tourism industry clients, measuring the overall economic contribution of tourism to the rest of the economy.

The Task Force paper also outlined the benefits of applying the concepts of satellite accounting to tourism. Because a satellite account builds a data base that is comprehensive, internally consistent and balanced, the data involved become more justifiable and credible.

Another part of the original working paper presented a detailed inventory, review and assessment of the various data sources available in the Canadian systems of tourism statistics and national accounts. One conclusion was that sufficient data for the account were already available in the Canadian system.

In 1989, the final report of the Task Force recommended that Statistics Canada develop a Tourism Satellite Account (TSA) to provide a statistical instrument for measuring and assessing the importance of tourism and to allow a valid comparison with other industries. In addition, the final report identified the original industry reasons for wanting information from the TSA: advocacy, planning and awareness; marketing; investment, operations and management; and manpower, education and training.

After the National Tourism Data Task Force completed its work and its report was published, the key proponents B Tourism Canada (now CTC) and Statistics Canada B took several years to refine basic organizational pre-requisites to establishing a long-term research and development project such as the account. These included deciding the key players and the division of labour and responsibilities. It also involved assembling the necessary financial and staff resources: approximately $250,000 dollars (Canadian) provided by Tourism Canada and two devoted full-time senior analysts (one a tourism specialist and the other a national accounting specialist) for two full years, provided by Statistics Canada. After the actual project began, developing a detailed operational concept and work plans took an additional year. The plans and guidelines developed were presented at the International Conference of Travel and Tourism Statistics held in Ottawa (Canada) in June 1991.

In its broadest form, the Canadian Tourism Satellite Account presented in 1991 at the conference in Ottawa envisaged a comprehensive multi-layered information system that collects, orders and interrelates statistics describing all significant statistical aspects of tourism. However, it did this in a very special way. It collected and organized that tourism data according to the "real world" economic transactions between producers and consumers of tourism products, such as the purchase of a hotel room or an airplane seat.

Subsequently in 1992 and 1993, the World Tourism Organization (WTO) and the United Nations Statistical Commission respectively adopted the Canadian vision as a recommended conceptual starting point for future work in developing tourism satellite accounts. Later, in 1995, the WTO initiated their own project to develop a general international standard for tourism satellite accounts, with the goal of having the standard approved as the first "official satellite" to the newly revised System of National Accounts (SNA93). At approximately the same time, the OECD initiated their own similar satellite accounting framework as an update to their previously published manual of tourism accounts.

In October 1994, Tourism Canada and Statistics Canada jointly announced and publicly released the new Canadian Tourism Satellite Account. As a result, the Canadian account actually predates, but is still generally consistent with, the later WTO/UN/OECD/EUROSTAT TSA standard approved in April 2000 and first published in May 2001.

In May 2001 at the Vancouver Conference on Tourism Satellite Accounts, the Canadian Tourism Commission (formerly Tourism Canada) and Statistics Canada released a new version of the Canadian TSA, updated from reference year 1988 to 1992. This version also includes some initial modifications that begin to bring it into harmony with the new international TSA standard approved one year previously.

3. The Starting Point: The Canadian System of National Accounts and Input-Output Tables

As noted above, tourism industries and commodities are not identified separately and distinctly in the Canadian statistical system, nor is tourism an existing demand category in the Canadian System of National Accounts (SNA). However, the Canadian Task Force had determined that sufficient prerequisite information existed in a dispersed form in the SNA and in the Canadian statistical system. From this, a special-purpose tourism-specific integrating tourism framework, or tourism satellite account, could be constructed as an extension to the existing SNA. The integrated framework or TSA provides the "tool" by which data from demand-side surveys in the national statistical system (e.g. household surveys on travel) are brought together and reconciled with data from various supply-side business surveys (e.g. transportation, hotels, and restaurants) in the national statistical system.

Of all the available accounting frameworks in the SNA, the input-output (IO) tables were selected because they provide the greatest articulation of the economy. They provide industry intermediate inputs and gross output by commodity and industry, as well as final demand and primary inputs of overall industry value added or Gross Domestic Product (GDP). The IO accounts were the only accounting framework of the SNA that describes and interrelates all current production, consumption and investment activities in the economy. Measuring tourism consumption, the production of tourism industries and the domestic supply of tourism commodities was essential to obtaining the desired comprehensive view of tourism in the economy.

The close linkage to the Input-Output Accounts was of particular benefit to tourism for several reasons. It provided, even imposed, a consistent set of classifications and definitions across the satellite account. It allowed comparisons between the tourism industry and other major industries in terms of size, performance and contribution to Gross Domestic Product. It eliminated or reduced the unnecessary and costly duplication of work by using already available data. And finally, it added to the credibility of the resulting estimates.

4. Major Steps in Building the Canadian TSA

The methodology of the new Canadian satellite account for tourism is fully described in Appendices A and B of "The Tourism Satellite Account" published in National Income and Expenditure Accounts, Quarterly Estimates, Second Quarter 1994 (Catalogue No. 13-001).

The use of monetary value in the core account, rather than physical quantities such as visits or room-nights, as a central focal point was a key initial step leading to the development of the core module of the Canadian Tourism Satellite Account. It was a prerequisite to using the Input-Output Tables as the primary reference point of the core account module. Monetary value was used in the core account to describe all types of tourism activities and provide a common basis through which different activities could be compared or put into perspective.

a) Definitions

As in any accounting system, the various definitions of the quantities included in the account played a key initial role. The most important concept used in developing the account is that of "tourism" itself. Here the Canadian TSA turned to the demand side definition adopted by the World Tourism Organization and the United Nations Statistical Commission in 1993 as follows... "the activities of persons travelling to and staying in places *outside their usual environment* for not more than one consecutive year for leisure, business and other purposes." This definition is more inclusive than merely leisure travel. It includes travel for business purposes, to visit friends and relatives or for personal reasons such as health treatment. Excluded, on the other hand, are commuting, travel to obtain employment in a new location, and travel by migrants, diplomats and armed forces on military assignments. In Canada, a distance criterion was used for defining domestic tourism. That is, travel of less than 80 kilometres (one way) or 50 miles, was not considered *Aoutside the usual environment"* or "tourism" in the Canadian account. However, crossing an international border was considered in all cases to be “travel outside the usual environment.”

The next most important concept of the Canadian TSA is tourism expenditures. Following from the World Tourism Organization and United Nations definitions of tourism again, the Canadian TSA defined tourism expenditures as the sum of goods and services purchased by visitors before, during and after a trip. This included the travel expenditures of both same-day visitors and tourists (overnight visitors), as well as business travellers and government employees. However, the Canadian TSA also excluded the expenditures of certain types of travellers such as diplomats, military personnel and immigrants.

The commodities (or goods and services) purchased by visitors’ (both same-day and overnight) expenditures were divided into “tourism commodities” (or tourism goods and services) and “non-tourism commodities.” Commodities were identified as tourism commodities if a significant part of their total demand in Canada was consumed by tourists and same-day visitors. Similarly, a “non-tourism commodity” was defined as a product or service not characteristic of tourism. In these cases, the examination of the total demand for these commodities reveals relatively low and statistically insignificant tourism consumption rates. Examples include clothing (such as t-shirts), suntan lotion and toothpaste.

Similarly, a “tourism industry” was defined as an industry that supplies goods and services directly to visitors and that, without tourism, would cease to exist or would continue to exist only at a significantly reduced level of activity. Examples include air passenger transportation and food and beverage services. “Non-tourism industries” included all industries that do not supply goods or services directly to visitors or which, if there were no tourism, would continue to exist and would continue to do so without a significant reduction in their level of activity. Examples include the construction industry and the retail food stores industry. The construction industry does not provide services to visitors. The retail food industry would continue to exist without tourism without a significant reduction in its level of activity, even though food purchases by visitors may be important for this industry in certain Canadian locations.

“Tourism employment” was a measure of employment attributable to tourism demand in both tourism and non-tourism industries. It was based on an estimate of “persons at work” rather than “hours of work” Consequently, someone who works 15 hours a week counts for as much, as someone who works 40 hours a week.

Several important implications emerged here in the way the TSA viewed the economic activity associated with tourism. First, not all goods and services purchased by tourists and same-day visitors are tourism commodities. In addition to passenger air transportation and accommodation, visitors also purchase clothes and groceries. Conversely, meals, and many other tourism commodities, are also purchased by non-visitors. Again, from an industry perspective, many tourism industries also supply non-tourism commodities. For example, the accommodations services industry also produces revenues from the sale of goods and equipment that are non-tourism commodities. In this case too, the converse also applies. Meals are supplied to visitors by cafeterias in retail stores as well as in licensed restaurants and hotels.

b) Detailed Classification System for Commodities and Industries

The commodity information available in the existing Canadian Input-Output (IO) tables was the basis of selection of what constitutes the list of tourism commodities. Further disaggregations or aggregations of the IO list were required to derive the tourism list. However, a concordance between the two lists was established in order to achieve a high degree of consistency.

In terms of industries, the TSA focussed on the production activities of only those industries that had an important role in tourism. An industry, again drawn from the existing IO framework, was included in the list if it met the definition mentioned previously. Industry information was already available at the output, intermediate consumption and value-added level.

c) Data from Other Sources

While the IO accounts represented a good initial source of data on supply-side activities, in a number of cases, it lacked sufficient detail in certain parts of its commodity and industry classifications. In these cases, supplementary estimates were drawn from reference publications and special tabulations from relevant business surveys. Examples included the survey of travel agencies, tour operators and tour wholesalers as well as the survey of accommodation establishments and the consumer price index.

Information on the demand-side consumption of visitors originated mainly from two surveys of domestic and international travel. The first collects data on travel by Canadian residents. The second collects information on Canadian residents travelling outside the country and on non-residents travelling within Canada. In addition, supplementary information was included on commodities, (both domestically produced and imported) purchased by Canadian residents in preparation for, or after a trip. These results were derived from a national consumer survey of family expenditures.

d) Balance Between the Demand-side and the Supply-side

Balancing the demand and supply estimates was a very, if not the most important, step in the initial development study. In practice, this meant that estimates of visitor and non-visitor expenditures on various commodities were compared to the revenues (plus any taxes) of industries producing those commodities. Tourism demand was reconciled, balanced and made consistent with tourism supply for every commodity as well as between the inputs and outputs of every industry. The total supply of each tourism or non-tourism commodity must equal the sum of its tourism and non-tourism demand. Similarly, for each tourism and non-tourism industry, gross output, which corresponds to the sum of all revenues, had to equal the sum of all inputs or production costs, including both labour and capital. Finally, through a further estimation process involving the assignment of all revenue by activity (i.e. tourism or other) both for tourism and non-tourism industries, the linkage between the TSA and the input-output framework also provided the necessary basis for estimating the value added and GDP of tourism in Canada. This exercise was performed using an iterative process. Through these calculations and comparisons, all estimates were cross-validated several times.

5. Difficulties and Challenges

One of the major problems in the early stages of the TSAs development was the absence of any consistent standard concepts and associated definitions for delimiting the scope of tourism demand. Key questions involved the inclusion or exclusion of business travel, travel for personal and family needs, student travel, day excursions and the whole domain of domestic tourism. Until the 1991 Ottawa Conference on Tourism Statistics, no agreements or international conventions existed for any of these questions. The Recommendations on Tourism Statistics, developed in Ottawa in 1991 and later endorsed by the World Tourism Organization in 1992 and the United Nations Statistics Commission in 1993, provided the basic conceptual building blocks for the Canadian TSA.

Another key problem was the definition of “tourism commodities” and “tourism industries.” The Ottawa conference proposed one solution for tourism industries, the Standard International Classification of Tourism Activities (SICTA), but did not directly address the question of tourism commodities at all. As noted previously, the Canadian TSA addressed this gap by supplying a new operational definition. Commodities were identified as “tourism commodities” if a significant part of their total demand in Canada was consumed by tourists and same-day visitors. The Canadian TSA also proposed a new and differing operational definition for characteristic “tourism industries.” As described previously, they too were operationally defined in the Canadian TSA as any industry that supplies goods and services directly to visitors and that, without tourism, would cease to exist or would continue to exist only at a significantly reduced level of activity.

One of the other major methodological challenges encountered in building the Canadian TSA had to do with the availability, quantity and quality of data from existing sources. First, the statistics originating from existing data sources possessed varying degrees of accuracy and levels of detail. Furthermore, the underlying concepts and definitions in these data sources did not, in some cases, correspond to the intended uses of the TSA. As a result, these statistics required more data manipulations and adjustments, before their incorporation into the satellite account, to ensure its consistency and integrity.

Second, information had to be present in all parts of the account for the same reference year in order to achieve a commodity balance between production and use. However, constructing the account revealed some data gaps, inconsistencies, or conflicting results in the detailed data tables that were impossible to fill directly with current data from available survey information. Consequently, gaps had to be filled with estimates derived using related indicators, ad hoc studies or administrative data, such as company financial reports. These problems also threatened the confidence of traditional producers and users of the various results and data sets involved. The positive aspect of this challenge, was that, once exposed, these data limitations became areas where energy, time and resources were devoted to improve the primary and secondary data sources. For example, the discovery of one specific data weakness led later to efforts to improve the coverage and content of business surveys in the accommodation, travel agents and attractions industries. They also stimulated subsequent improvements in various calculation processes in other parts of the national accounts.

The fine level of detail at which calculations were required in the account posed other challenges as well. For instance, demand was broken down into the major forms of tourism--domestic, foreign, business, non-business--as well as the types of goods and services purchased. At the same time, tourism supply was sub-divided into the various commodity and industry groupings. Once again, this fine level of detail severely tested the coverage and depth of data on all aspects of tourism demand and supply within the statistical system. Any other gaps in both content and the coverage soon became evident. In some cases, it limited the full development of the account or the level of detail presented in some of the TSA tables. One offsetting factor, however, was that the same detailed approach could be implemented at a higher level of aggregation in the first stages, while still maintaining the overall conceptual framework. Depending on the availability of reliable data and analytical resources, further refinements could be introduced later. One example involved calculating "total demand" first, and then breaking it down between business and non-business demand later in the process.

6. Key Results and Findings of the Canadian TSA

The 1994 Canadian TSA study provided a way to measure directly both the totality of tourism consumption and the added value to the economy from tourism, both within the tourism sector itself and outside the collection of tourism industries. Furthermore, the 1994 Canadian TSA was both statistically and conceptually consistent with the Canadian system of national accounts used to calculate gross domestic product (GDP), the net output of goods and services produced by industries in the Canadian economy. For the first time, the initial results based for1988 (the most recent year of optimal data coverage, more recently revised to 1992) revealed the full significance of the position of tourism in the national economy. Tourism consumption totaled $30.3 billion, of which $22.7 billion was part of final demand and $7.6 billion was intermediate consumption, mostly business travel. For comparison purposes only, this $30.3 billion CDN was approximately four per cent of total GDP. Tourism also contributed about $13.3 billion, or about 2.5 per cent, to the total value-added generated by the Canadian economy in 1988, ranking roughly twelfth of all industry groupings in Canada. From another perspective, tourism contributed $3.7 billion in commodity taxes to all levels of government in Canada in 1988, representing a disproportionately high seven per cent of all commodity taxes. In addition, tourism was shown also to be a significant export sector in the Canadian economy at $6.5 billion in 1988, representing four per cent of the total exports, and 37 per cent of Canadian service exports. While the magnitude of the economic significance of tourism had long been underestimated, the 1994 Canadian TSA results showed that tourism was a significant generator of both industry and government revenues in the Canadian economy.

While tourism exports were important and growing, domestic spending at $23.8 billion represented

80 per cent of total tourism consumption, and was shown clearly to be the mainstay of economic activity in the Canadian tourism sector. Canada is also a net importer of tourism services with tourism imports of $10.4 billion in 1988, nearly 60 per cent more than tourism exports, resulting in a negative “tourism” balance of payments of $3.9 billion (excluding capital investments).

Tourism is a very labour-intense sector, generating a disproportionately large five per cent share of total employment in the business sector of the Canadian economy amounting to over 467,000 (recently revised to 546,400) persons-at-work. As a further illustration of the more labour-intensive character of tourism activity, the labour income portion of the value added attributed to tourism was found to be about 12 per cent higher than the corresponding figure for non-tourism activitiesC66 per cent for tourism activities versus 54 per cent for non-tourism activities. The biggest job creators were accommodation at 129,000 (27.6% of total), food and beverage services at 26.5 per cent followed by transportation at 16.5 per cent and recreation and entertainment at 5.4 per cent.

While tourism is demonstrably labour intensive, the Canadian TSA also revealed that tourism in Canada suffers from relatively low levels of labour productivity. With only $29,000 of GDP added per job, tourism compared poorly with the overall average GDP per job at $49,000 for all industries combined. Nonetheless, the overall tourism sector was by no means uniform in this respect. Some industries in the sector compared favourably, while others did not - from $54,000 in the transportation industry to $16,000 in the food and beverage industry.

The TSA also revealed for the first time the internal structure of the amalgam of tourism industries commodities and services that make up the economic activity of tourism. Thus, this new tool demonstrated how the goods and services provided to visitors by all tourism and non-tourism industries fit together. Seen from the new TSA perspective, some products and industries in the tourism sector were major players; others less so. The commodity mix of the $30.3 billion in tourism receipts showed that over 40 per cent of these tourism dollars was spent on commercial and private transport (almost half of this was on air travel at $6.0 billion). Similarly, 13 per cent was spent on accommodation, 19 per cent on food and beverage services, 8 per cent on other tourism goods and services such as recreation, entertainment and travel agency services, and 16 per cent on other commodities such as groceries, souvenirs, clothing, and camping equipment.

The new tool also revealed which industries were heavily supported by tourism and which were less dependent on visitors for their existence. Some industries, such as travel agency services (98% of domestic supply), passenger transport (92%) accommodation (90%), and vehicle rentals (83%) were heavily supported. Other industries were less dependent on tourism, with a lessor, but still significant, share of their total domestic supply purchased by visitors. Examples include taxis (29%), recreation and entertainment (28%) and food and beverage services (i.e. restaurants and bars) at 26 per cent.

Including consumption of both “tourism commodities” and “non-tourism commodities” in the Canadian TSA also enlarged the view of the total scope of the tourism influence in the economy. One surprising finding of the 1994 study was the revelation that only 75 per cent, or $10.0 billion, of all tourism GDP came from industries in the Canadian tourism sector. The other 25 per cent, or $3.3 billion, came from visitors’ purchases of commodities in other non-tourism industries. This suggested a previously unrecognised potential for extra-tourism marketing alliances with enterprises in other sectors of the economy.

In summary, the 1994 release of the initial results of the TSA demonstrated that tourism could be measured accurately as a significant element in the national economy. Furthermore, the release of these results by Statistics Canada, instead of the national tourism agency, provided the objectivity and credibility for both the results themselves and the associated findings and conclusions.

7. Uses and Benefits of the Canadian TSA

The timing of the TSA release coincided with the idea of creating a national tourism marketing organization. In fact, both accomplishments were presented in combination to the industry at the annual meeting of the Tourism Industry Association of Canada in October 1994. With the release of the Canadian TSA study in 1994, the tourism industries sector finally had the facts at hand to convince government to recognize it as a key sector in the national economy. The TSA finally enabled direct comparisons with the economy in total and with other industries in the national economy. The TSA also influenced a change in the economic policy emphasis of government. Within two months, the government identified tourism as a key strategic industry in the new micro-economic development strategy and announced a plan to replace Tourism Canada, a small branch reporting to the Minister of Industry, with a distinct private-public sector “special operating agency,” the Canadian Tourism Commission (CTC). Within four months, the government established the Commission with a mixed private-public sector board of Directors.

The new TSA results matched perfectly with the emerging information requirements of the new CTC organization. The TSA findings also were influential in the determining the initial range and composition of private industry representatives named to the mixed board of directors of the new organization. Within six months, the government also increased federal funding to tourism by five times its previous level and issued a challenge to the industry and other levels of government to match those funds. A year later, the industry, bolstered by its new sense of identity and self-confidence, met that challenge. The combined partnership budget was now $100 million, almost 10 times the original budget.

Within two years, the Commission had also begun to apply its new knowledge of the importance of non-tourism commodities and industries to tourism production to its marketing activities. This new knowledge became the basis for developing new alliances with organizations, later named “non-traditional partners,” selling products and services to visitors but still identified by the TSA as outside the tourism sector. They included firms such as retail stores, car manufacturing companies, banks and credit card companies.

One limitation of the new instrument was lag time involved in producing TSA results. While the CTC and the Canadian tourism community applauded the TSA, 1988 data released in 1994 were considered too dated to be relevant to current business decisions. The industry wanted more timely and frequent results for analysis, planning, promotion, and management purposes.

8. Further Extensions and Developments

a) From the Tourism Satellite Account to the National Tourism Indicators

To overcome the time lag issue, Canada's first extension of the TSA system involved a shift from a static statistical portrait to a more dynamic view of tourism--a time series of multiple snapshots. Statistics Canada, with financial support from the Canadian Tourism Commission, conceived and developed the National Tourism Indicators (NTIs), first published in June 1996.

NTIs provide quarterly and annual data from 1986 to date for most components of the Canadian TSA. They consist of over 300 measures of tourism demand in Canada, (both domestic and export demand of foreign visitors), the supply of tourism commodities, and the employment generated by tourism.

There are three base publications: a historical publication covers the period for 1986 to 1996 and includes annual and quarterly estimates. A quarterly publication updates the historical publication and is released each quarter with estimates available no later than 90 days after the end of the reference quarter. And, for those interested in methodological details, there is a Guide to National Tourism Indicators, Sources and Methods. This statistical tool is helping those interested in the Canadian tourism industry find answers to their questions about the economic performance and evolution of Canadian tourism phenomena from both demand and supply-side perspectives.

b) Further Lines of Development

In addition to the major extension to the core TSA involved in developing the National Tourism Indicators, two other more modest extensions have been developed. One involved a supplementary module to estimate total government revenues and taxes directly attributable to tourism in Canada. The other involved developing estimates of the total number and distribution of businesses within the Canadian tourism sector.

Results of the government revenues project indicated that, based on a sample of total revenue sources, the tourism contribution to government taxes and other revenues is significant and proportionately larger, in fact, than the overall contribution to national GDP. The percentage contributions of tourism to overall government revenues for each level of government are estimated as 5.3 per cent each for both the federal and provincial levels, and 2.1 per cent for the municipal level. In the reference year of 1992, these estimates worked out to a total of approximately $23 on every $100 tourism dollars spent in Canada. Alternatively, assuming that the remaining 25 per cent of unmeasured sources generate similar revenue levels to the sources measured to date, the overall government revenues from tourism are estimated at approximately 30 cents on every dollar. Presenting arguments on government incomes from their shares of total tourism revenues in 1996 helped support a major increase in national federal funding to the new tourism marketing agency, the CTC. This was impressive at a time when almost all other departments were being cut back as a part a national deficit-reduction policy. The government then increased its annual contribution to tourism another $15 million over the original budget.

Preliminary results from the other extension project, the register of tourism business establishments emerged in mid-1997. These results estimated the total size of the tourism sector in Canada at approximately 96,000 establishments in 1995, with a later revised estimate of 159,000 in 1999. With these results, another important new qualification emerged in this interpretation of "the size of the tourism sector. The estimates in the study represent the number of tourism establishments classified in the so-called "tourism industries," meaning potentially that a certain proportion of them might not provide services to tourists, or alternatively, only a certain percentage of their revenues is related to tourism.

Nevertheless, of the 159,000 establishments included in the tourism sector, the food and beverages industry had the largest share at 57 per cent, followed by recreation and entertainment at 19 per cent and accommodation at 12 per cent, and then transportation (6%), travel services (5%), and the combination of all other lesser tourism industries at one per cent. Furthermore, these results revealed that small and medium size businesses (SMEs), a priority focus of government policy, make up 99 per cent of all business establishments in the tourism sector. These TSA results also showed that SMEs are particularly concentrated within the food and beverages and recreation-entertainment industries of the Canadian tourism sector.

9. Future Developments

The considerable body of work reported to date from the Canadian Tourism Satellite Account is still only the beginning. A number of further improvements and expansions will follow. One immediate priority for the next year is to release another new benchmark for the account, updating the reference year to 1996. The comparison of three successive benchmarks—1988,1992 and 1996--will allow examination of the structural changes in the Canadian tourism sector.

Another major new development, currently nearing completion, is the downward extension of the account to provide similar analyses of regional units of the economy. Preliminary results of a Canadian feasibility study suggest that such an extension is indeed possible for all provinces and territories in Canada.

In the near future, Statistics Canada will also release a final version of another extension of the TSA, a Tourism Economic Impact Model (TEIM), associated with the account. This supplementary tool provides a means of estimating the indirect economic effects of tourism in the national economy, while still using the same conceptual framework for the tourism sector as the TSA. It also reveals the input costs and leakages associated with Canadian tourism sector.

Other further developments, currently in progress, or being discussed, include expanding the account to include an employment module as well as a capital formation extension as described in the original concept paper presented to the Ottawa Conference in 1991. Also in the future, current discussions envisage the possibility of developing a series of financial performance measures for the “typical tourism business” in each industry of the Canadian tourism sector.

10. A Key Lesson: The Importance of Partnerships in Developing and Maintaining the TSA

One of the key lessons learned from the development and application of the Canadian TSA has been the importance of developing and maintaining a long-term cooperative technical partnership among the various stakeholders. This is true for the full life of the initial project, as well as the many "spinoff" projects and activities. Partnerships are needed among the various divisions inside the central statistical agency, as well as among Statistics Canada, the industry end-users, and the Canadian Tourism Commission. An effective working relationship requires a mutual understanding of, and respect for, the overall interests, goals and objectives of each participating organization in the project, as well as frequent and open consultation among the partners. For success, the partners must recognize their interdependence and the importance of each one's role, while sharing the benefits in achieving common goals and objectives relating to the TSA project. Statistics Canada provides an independent, professionally credible and continuing organizational home for the account. The CTC, on the other hand, provides the other key organizational prerequisites for the Canadian TSA: a single industry voice, a client user committee and a source of development funds to update, enrich and extend the account.

11. Conclusion

As more products emerge from the Canadian Tourism Satellite Account, and similar projects in other countries, the tourism sector in Canada and throughout the world will no doubt discover many new applications of the tool and gain much new knowledge and understanding of its structures and roles in the national economy. The current situation is a bit like that of Galileo and the telescope -- the potential is exciting, new things are being learned every day, but still only a few of the possibilities can be foreseen at this time. Seven years after the initial Canadian TSA release, analysts are still discovering the significance and value of some of those initial results. In addition, new ways to use the TSA as tool for analysing the economic aspects of tourism are still being discovered.

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