

# Victoria's Regional Tourism Satellite Accounts User Guide

This technical and user guide is intended to explain some of the key accounting concepts used in generating Tourism Satellite Account (TSA) measures and includes guidelines on how to interpret and use the economic estimates, as well as key definitions. This guide complements the suite of research factsheets on the Regional TSA economic estimates produced by Deloitte Access Economics for Tourism Victoria.

## How do we measure the economic impact or value of tourism?

Tourism generates significant economic benefits that may not be well understood by local government, community groups or other key stakeholders. Economic impact analysis provides a way to estimate the benefits of tourism to the local economy and surrounding communities. Economic impact studies use financial and economic data to generate important measures of economic activity like Gross Regional Product (the equivalent to Gross State Product or Gross Domestic Product) and employment.

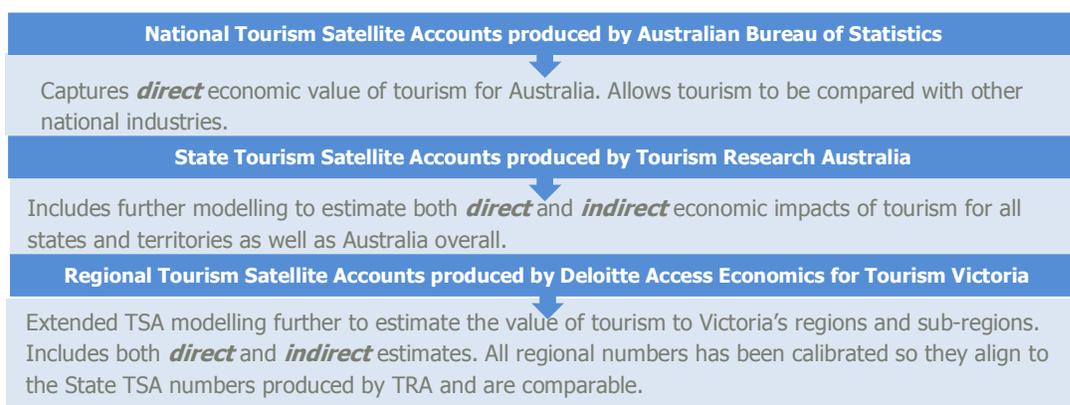
Economic impacts for tourism are estimated using a standardised statistical framework that is applied at the national, state and regional level using a Tourism Satellite Account (TSA) methodology. This is done because tourism is not a traditional industry and is therefore not included explicitly in the Australia Bureau of Statistics (ABS) system of National Accounts (where industries are defined on the basis of the goods and services they produce).

Rather, tourism is implicitly included in the National Accounts on the basis of products purchased by visitors, and produced by suppliers. In this way, the tourism industry is an aggregate of 'conventional industries' and is defined by the *status* of the consumer of these products (i.e. as a visitor). Tourism is not restricted to leisure activity and also includes travel for business, education or other reasons, provided that the destination is outside of the visitor's usual environment and is for the duration of less than a year.

Importantly, TSA reporting generates measures that are comparable to economic statistics from other industries produced in the National Accounts.

TSA includes best estimates based on the internationally recognised and accepted methodology. As an economic modelling exercise, the TSA estimates generated are subject to the provision and quality of data inputs and underlying assumptions.

## What different measures of the economic value of tourism exist in Australia?



## Why are the Regional TSA numbers important?

The numbers provided in Regional TSA research are important as they demonstrate the economic importance of tourism to local economies in Victoria. They can be a powerful tool to build support from a variety of stakeholders including:

- *Government* - to help secure investment in the tourism industry given what it contributes to local jobs or revenue into a region (i.e. that it delivers employment and local business growth).
- *Community* - to show that tourism operations actually benefit the local community i.e. by providing jobs and new money into the locality.
- *Other stakeholders* - such as business investors who may wish to understand the size of the tourism sector before investing in local projects i.e. to understand how big or important the tourism industry is to a particular region and therefore understand the potential benefit/ risk of a project.

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## What are the key numbers/ concepts to understand?

The Regional TSA research captures both the **direct** and **indirect** impacts of tourism. These are two important concepts to distinguish:

- The **direct** contribution of tourism measures the contribution of direct transactions between a visitor and producer of a good or service. Put simply, this would include the direct impact of a visitor staying at hotel or participating in a tour.
- The **indirect** contribution of tourism captures the flow-on or 'second round' impacts created by the tourism industry. These result from the need for inputs to be supplied to the industries that directly provide goods and services to visitors. For example, this might include the fresh produce supplied to a hotel to deliver meals to guests.

The two most widely recognised numbers derived from the Regional TSA data are:

- **Gross Regional Product or GRP:** this is the equivalent measure to Gross Domestic Product (GDP) or Gross State Product (GSP). This is one of the primary indicators used to measure the value of tourism to the economy and measures the total value of tourism goods and services produced over a specific time period. GRP estimates have been derived for both *direct* and *indirect* tourism activity.
- **Employment:** this is the number of additional jobs that are generated as a result of tourism activity and includes both direct and indirect estimates. *Direct employment* includes employees of a tourism business i.e. an employee of a hotel, tour operator etc. *Indirect employment* relates to the workforce of the suppliers to the tourism industry i.e. someone working for a laundry company that services a hotel.

## What is the best way to interpret the information?

The key comparisons to note from the results are differences in the regional rankings between the:

- **Total volume contribution** of tourism to Victoria's tourism sector overall. These are the absolute measures of dollars and persons employed. Not surprisingly, Melbourne represents the majority share of the State-wide contribution to tourism (in volume terms), however Melbourne has a relatively low reliance on tourism due to the diverse nature of its economy.
- **Relative importance** of tourism at a regional level. These illustrate the significance of the tourism sector to the local economy (i.e. measured by tourism's share of GRP and employment). For example, regions where tourism has a higher share of the local economy are more reliant on the industry and it is more important to the overall health and prosperity of the local economy. This has important implications in the way positive and negative shifts in the tourism sector can impact a region's economy. For example, regions which have both high direct and indirect reliance on the tourism sector are highly susceptible to tourism downturns, whereas those less reliant are more insulated from such changes.

## What stories do the numbers tell us?

Victoria's regions can be broadly grouped into different categories.

### Regions that are **directly** reliant on tourism

Tourism is particularly important for these regions as their economies are heavily dependent on direct tourism activity. They include tourism destinations in Victoria such as the Phillip Island.

### Regions that are **indirectly** reliant on tourism

This includes regions that may not necessarily be tourism focussed but have strong links to the tourism industry as *suppliers* of indirect inputs i.e. as suppliers of agriculture or processed foods..

### Regions that are reliant on tourism both **directly and indirectly**.

For these regions tourism is very important to the overall health of the local economy. For example, Phillip Island is heavily reliant on the tourism industry as tourism represents the highest percentage of GRP (direct, indirect and total contribution) of any region in the State.

### Regions that generate a significant volume of the total contribution of tourism to the State

From a State-wide perspective, these regions are important contributors to the overall value of tourism to Victoria. For example, Melbourne comprises the majority share of the State-wide contribution to tourism in terms of total tourism GRP.



## Some examples of how to use the information

The research provides important results on a range of key metrics including Gross Value Added (GVA), Gross Regional Product (GRP), employment (including full and part-time splits and industry contributions), and tourism consumption and output. Some examples of the measures to use in different scenarios are provided below (to note: this is not an exhaustive list and may need to be adapted to suit different requirements and audiences).

- When trying to illustrate the overall size of the tourism industry in the region:  
Total GRP and total employment values as well as the percentage contribution of tourism GRP and employment to the economy (including both direct and indirect impacts). This will help to highlight the relative importance of tourism to the performance of the local economy overall.
- When demonstrating the importance of the industry to local employment:  
Both *direct* and *indirect* employment figures and the percentage contribution of tourism to regional employment.
- When comparing tourism against other industries:  
*The direct* estimates of GVA are directly comparable with the GVA of 'conventional' industries such as mining and manufacturing.
- When highlighting the most important industry sectors that are related to tourism:  
*Direct* contribution of tourism characteristic industries to tourism employment. For example, when looking at the concentration of jobs across industries, the tourism characteristic industry that contributed most to *direct* tourism employment in regional Victoria in 2013-14 was cafes, restaurants and takeaway food services.
- When illustrating the difference between the contribution of different market segments i.e. intrastate vs. interstate vs. international:  
The percentage of *direct* GVA contribution of different market segments to tourism.

*Note: It is important that results from this research are not compared to previous or alternative studies which are not based on the same methodology.*

## What do some other important terms/concepts mean?

**Tourism output** represents the supply side of tourism. It captures the total value of goods and services *produced* to meet visitor consumption, is the broadest measure of tourism activity and is usually the biggest number. It is measured in basic prices so excludes taxes and removes any margins associated with other industries such as retail or transport margins (i.e. it is the price a seller gets).

**Tourism consumption** represents the demand side of tourism. It is the total value of goods and services *consumed* by domestic, inbound and outbound visitors. It consists of tourism expenditure plus imputed consumption on tourism related products. It is measured as the price the visitor pays including all taxes, subsidies and sales margins (i.e. purchasers' prices). It includes:

- *Domestic tourism consumption* - consists of the tourism consumption by domestic visitors on tourism related products within Australia. It is the sum of household tourism consumption and business and government tourism consumption.
- *International tourism consumption* - consists of the tourism consumption within Australia by inbound visitors on tourism related products. Also referred to as internal tourism consumption by international visitors.
- *Outbound tourism consumption* - consists of the tourism consumption by Australian outbound visitors outside of Australia while on an international trip. Also referred to as tourism imports.

**Tourism Gross Value Added:** Generally considered the most accurate measure of the contribution of the industry to the economy. It includes the total labour income and capital revenue received by the industry and the net taxes that government received from the production.

**Tourism Gross Regional Product:** Tourism GRP is tourism GVA plus net taxes on products that are attributable to the tourism industry. As such, GRP will generally have a higher value than GVA. Tourism GRP is a satellite accounting concept that enables comparison with the national accounting aggregate, gross domestic product (or in this case Gross Regional Product). GRP is a more meaningful measure of economic impact than output (although it is usually smaller than output).

**Employed person:** Is a person aged 15 years and over who worked for one hour or more per week for pay, profit, commission or payment in kind in a job or business, or on a farm; or worked for one hour or more without pay in a family business or on a farm. This includes splits of:

- *Full-time workers - those employed persons who usually worked 35 hours or more a week (in all jobs); and*
- *Part-time workers - those employed persons who usually worked fewer than 35 hours a week (in all jobs).*

**Tourism expenditure** measures what visitors *spent* at a destination. This is not a measure of the *value* of tourism to the economy. These modelled estimates are calculated at the price that a visitor pays for a good or service (i.e. purchasers' prices). It includes things beyond the profit generated from a transaction i.e. taxes such as GST, other margins on wholesale, retail or transport components, import costs etc.

Tourism expenditure is used as an input to the production of TSA provided through the National Visitor Survey and International Visitor Survey, Tourism Research Australia, Canberra.

**Quality of Estimates:** TSA includes best estimates based on the internationally recognised and accepted methodology for 'measuring tourism'. It is important to note that the estimates of economic contribution are derived from estimates and assumptions of complex interactions amongst all components of the economy which change over time. While as much care as possible has been taken to ensure the quality of the estimates in the satellite accounts, users should exercise some caution in the use and interpretation of the results. In order to produce estimates at a finer level of detail than is normally provided in the national accounts, some of the data used to produce the satellite accounts have been extended to the limits of their design capabilities. Assumptions underlying the estimates also have an effect on the estimates' quality.

**Methodology refinements and data revisions:** It is important that the 2013-14 results are not compared to previously released estimates as historical results have been revised due to changes in input data and refinements to the methodology.

**Results should also not be compared to alternative studies which are not based on the same methodology.**

### More information?

For further information on the methodology and key concepts for the *Victorian Regional Tourism Satellite Accounts 2013-14*, please refer to the Regional Tourism Satellite Account User Guide at this link:

<http://www.tourism.vic.gov.au/research/economic-significance.html>

For more detail on the *State Tourism Satellite Accounts 2013-14*, published by Tourism Research Australia refer to the full report:

<http://www.tra.gov.au/research/State-tourism-satellite-accounts-2013-14.html>