

**THIRTY- FIRST MEETING OF
THE STANDING COMMITTEE OF
CARIBBEAN STATISTICIANS**

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**DEVELOPMENT WORK IN THE AREA OF TOURISM SATELLITE ACCOUNTS
AND OF A SYSTEM OF TOURISM STATISTICS**

1. BACKGROUND

In 2006, the Caribbean Community (CARICOM) undertook developmental work in the area of Tourism Statistics, focusing on the development of a Tourism Satellite Account framework. The Tourism Satellite Account (TSA) is essentially a tool used to describe the importance, magnitude and impact of tourism in an economy. It is structurally linked to the System of National Accounts, (1993 SNA), and is based on the idea that the demand for goods and services generated by domestic and inbound tourism has to be met by a supply in the economy. The main idea is to analyse in detail all the aspects of demand for goods and services which might be associated with tourism within the economy, in order to observe the interface with the supply of those goods and services and to describe how this supply interacts with other economic variables.

The initial thrust in the development of the TSA originated in the developmental work in projects on International Trade in Services undertaken in 2001/2 and 2004/5. While engaging in this developmental work, it was recognised that tourism as a traded service required more intensive treatment to hasten the production of statistics in this sector, which is thought to be significant in most

Member States. The recommended approach was to institute the development of Tourism Satellite Accounts (TSA) in Member States.

In addition, in 2003 the Secretariat received funding from the Government of Spain and convened a workshop to sensitise statisticians and personnel from tourism authorities on the methodological approach to the TSA.

Within the framework of the Regional Statistical Programme, Tourism Statistics was included as an area to be produced by Member States using a harmonised approach.

2. DEVELOPMENT OF THE TOURISM SATELLITE ACCOUNT AND A SYSTEM OF TOURISM STATISTICS

In February 2006, the Secretariat continued work in this area with a two-week Pilot Technical Assistance Mission to Saint Lucia to review and support the development of a System of Tourism Statistics and to explore the development of a TSA in that Member State. This Mission was funded by the Government of Spain through the CARICOM-Spain Cooperation Agreement and included representatives from Barbados, Dominica and Grenada as part of capacity building.

The Mission followed the first four steps of the 9-step approach recommended by the United Nations World Tourism Organization (UNWTO) for the development of a TSA that are listed below:

- (i) A good understanding of the TSA framework and its proposed tables;
- (ii) A description of the country's tourism activity;
- (iii) A description of the country's system of tourism statistics (STS) in statistical terms;

- (iv) A statistical description of the country's system of national accounts and related systems;
- (v) A compilation of an experimental TSA;
- (vi) The setting up of a feasibility study in order to decide how to remedy the flaws;
- (vii) The implementation of the decisions and getting results/pilot estimations to monitor the advance of the process;
- (viii) A statistical assessment of the quality of the TSA; and
- (ix) The dissemination of the results and further improvement of the proceedings.

In August/September there was a follow-up mission in Saint Lucia to monitor the work undertaken after the February technical assistance and the initial visits in Grenada, Dominica and Barbados, to commence the process in these Member States. The missions in Grenada and Dominica were partly funded by the CARICOM-Japan Friendship Agreement.

Some features of the approach used in the initial missions are described below.

In the initial country visits, the Consultant commenced the process with the description of the TSA system, the basic concepts and definitions used in Tourism Statistics, and their linkages with the system of national accounts. The presentations underscored the most important conceptual issues in tourism statistics and the TSA. The description of the country's tourism activity was a critical issue discussed at the commencement of the technical assistance. The

description of the country's system of tourism statistics was also discussed through preparation of an inventory of the statistical sources and the format which was recommended by the United Nations/World Trade Organisation. This inventory format was applied to the ED cards and the visitor expenditure/motivation survey. A review of the system of national accounts and the work in progress on the Supply and Use Tables (SUT) was also included in the technical assistance visits.

In most of the countries, there was a vibrant inter-agency platform. The immigration departments participated actively in the discussions on the ED cards and there was almost always active participation by an Immigration Officer. In addition, representatives also attended from the Ministry of Tourism, the Tourism Authorities, the Hotel Associations, the Caribbean Tourism Organisation (CTO), the Caribbean Technical Assistance Centre (CARTAC), the Central Bank of Barbados and the Eastern Caribbean Central Bank (ECCB). In all Member States, the level of cooperation from the tourism authorities was tremendous.

An overview of the general structure of the approach and the general conclusions as prepared by the Consultant appears in **Attachment to this Paper**.

The follow-up visit to Saint Lucia served to advance the process of the TSA compilation in that Member State. On the second visit, the Statistics department was able to improve its response to the main accommodation establishments for 2002, the year for which the TSA was being constructed. In addition, work had advanced on the SUT through the assistance of a Consultant funded by CARTAC.

3. FUTURE DEVELOPMENTAL WORK

It is anticipated that in the next technical assistance visit to Saint Lucia, the process of reconciling consumption by visitors with supply to visitors could commence. It was also recommended that further work be executed to clarify the methodology used in the Visitor Expenditure and Motivational Survey (VEMS). In that regard, attention should be paid to supply activities other than accommodation as well as informal activities that contribute to tourism supply. Similarly, recommendations were made for the advancing of the process in the other three Member States (Barbados, Dominica and Grenada) prior to follow-up visits.

It is expected that the process should be extended to other Member States utilising funds that would become available in the future. Work would continue with the four Member States to build the systems of statistics required to enable the compilation of the TSA and would eventually taper off in these four countries as new countries are offered technical assistance. The Secretariat is also aware of the developmental work in St Vincent and the Grenadines. The Secretariat would also like to hear from other Member States such as The Bahamas, Jamaica and Trinidad and Tobago, about developments in this area of statistics. While it is advisable that countries commencing work in this area should have already reached an advanced state in the SUT construction, based on the observations of the countries, the work on the TSA can provide greater clarity to the SUT process.

It is anticipated that this area of statistics will continue to receive support under the CARICOM/Spain Cooperation Agreement as well as under the Ninth European Development Fund (9th EDF).

ACTION REQUIRED

The **Meeting** is **invited** to:

- (i) **consider** the progress of work in the Region in the area of Tourism Statistics; and
- (ii) **also consider** the proposed approach for future technical work, subject to the availability of funds.



General conclusions deriving from the four countries visited

Recognizing the vital importance of tourism for member countries, the Region has set as one of its objectives, the establishment of Tourism Satellite Accounts (TSA) in each of the countries. This objective requires good tourism statistics that go beyond the measurement of flows of visitors, and include the measurement of their economic impact through consumption and fixed capital formation, as well as an advanced system of National Accounts that includes in particular, a Supply and Use table, not only for the benchmark year but on a current basis. Given the above, the process commenced as a pilot in only four countries with varying degrees of statistical development in national accounts and tourism statistics.

The Technical Assistance initiative for the development of the TSA in the four countries visited, focused on the different “inputs” required for the process, which are reliable statistics in the following areas:

- (i) statistics on arrivals and on the characterization of visitors;
- (ii) estimation of daily per capita expenditure according to those characteristics, (additional information when required);
- (iii) information on supply;
- (iv) a consistent supply and use table sufficiently detailed so that tourism accounts can be meaningfully linked.

Number of visitors

In general, in the four countries visited, statistics on arrivals seemed of good quality: all travelers seemed to be counted although in one country the statistics excluded nationals residing abroad (nationals do not fill E/D cards and the E/D cards of transit passengers without overnight are not processed by the Tourism Board). In some cases, the identification of visitors (as distinct from other travelers) presented some shortcomings.

The existence of long term foreign students both in Barbados and Dominica generated uncertainty in the definition of visitors. For tourism statistics, these long term students are considered to be within their usual environment (although non-residents) and are therefore not considered as visitors. The reverse would also apply for outbound tourism when countries decide to measure it. Resident students taking long courses abroad are still considered as residents and not visitors.

The treatment of passengers on cruise ships is homogeneous among countries.

The treatment of in-transit passengers was not consistent within and across the countries.

In Dominica and Grenada, the E/D card had various formats. This makes processing more difficult and creates an additional source of lack of homogeneity in responses.

Basically, there is good collaboration between the Immigration Department and the Tourism Board.

The Issue of Time Limit to Define Visitors

In border statistics a person crossing the border more than once in the period of observation will be counted as many times as he/she crossed the border. It is on the basis of the nature of the trip taken that individuals are classified at each visit, and could be classified either as visitor or other traveler.

In most countries, the criterion of residence is applied in the following way; if the trip generates a stay in the country of more than a year, the individual taking such a trip is not considered a non-resident, whereas if the stay is shorter than a year (and the other conditions are met) the trip is considered a tourism trip.

In one Member State, the criterion used is six months: any trip generating a stay in the country for more than 6 continuous months in the country is considered as a non tourism trip, even though the person is not a legal resident. As a consequence, the person taking the trip is excluded from visitors. The reason given for this difference with international recommendations, is the decision to be consistent with the criterion used in household statistics, in which the place of usual residence (within a country) is defined on the basis of a six months criterion.

The issue of non-residents spending large periods of time in a country, with similar behaviour patterns as residents (quasi-residents) requires further research with the assistance of immigration.

There is undoubtedly an issue with respect to non residents spending large periods of time in the country, ("quasi-residents") and with similar behaviour because as residents when they are in the country in terms of their current daily expenditure. It might be necessary to conduct research, with the help of Immigration, on this sub-group.

Classifications in Statistics on Arrivals

In most countries, the different classifications of visitors based on the information collected in the E/D card generate difficulties, all the more so, in the cases where more than one model of E/D card is used. There are also inconsistent descriptions of the categories in the different formats.

Classification by Country of Residence:

There were instances in which nationals residing abroad were not included as visitors. This is linked to the concept of usual residence.

Classification by forms of accommodation:

In all countries, this classification presents problems. The traditional categories that all recognize are hotels, guest houses, friends and family, and these do not usually present major difficulties. The other forms however, present difficulties in interpretation or are sometimes not identified. These include owner of second home (including timeshare), though it is particularly important because there is no direct expenditure on accommodation (only an imputation). Cottages, villas and apartments are usually not well defined, (and might be used as paid or unpaid accommodation).

There are also other categories of paid accommodation that have not been considered in most classifications. These belong to home stay and/or bed and breakfast; or similar programs, but are being promoted in most countries in relation with the upcoming Cricket World Cup. Additionally, the possibility of not using a form of accommodation that is “economically” recognised (as sleeping on board a yacht or in the open during festivals) has often not been anticipated in the questionnaires. In all countries, there is the need to improve the knowledge

about these forms of accommodation, to define categories that will be identifiable in the field and by the visitors completing the E/D card.

Length of Stay - Overnights

The length of stay is a crucial variable in order to estimate more accurately the intensity of inbound tourism in a country.

In all countries of the Region, this length of stay is estimated, using the length of stay declared at the border. It is usually admitted that the actual length of stay is not significantly different from this estimated length of stay.

This might be true for visitors coming for short term trips to the country, but it is more controversial in the case of more long term visitors, who come in the winter to their second home, in order to escape the cold season in their country of residence. In most countries of the Region, the actual length of stay could be established once all visitors have left. This would necessitate a wait of one year or until all visitors of the period have left.

Anticipating Future Changes

The upcoming Cricket World Cup would be an opportunity for most countries of the Region to totally modify their Immigration Management System, through the participation in the system of Advance Passenger Information (API) and the reading of travel documents.

The API system will change totally the available sources of information as well as modify the information that might (or might not) be collected at border crossing.

The Central Statistical Office, Ministry of Tourism or Board of Tourism should discuss with Immigration Departments about their need for information, so that it is taken on board in the new procedures and new outputs that will be defined.

Measuring Visitor Expenditure

In all countries, the measurement of visitor expenditure, where it exists¹, is based on a survey at the border, more or less closely related to the model Visitor Expenditure and Motivation Survey promoted by Caribbean Tourism Organisation. The typical exercise is supposed to be developed on a monthly basis, with a week being selected as typical, with a random selection of visitors at departure.

In practice, the experiences are more varied: some countries have decided to separate expenditure from motivation, others experience great difficulties in collecting the information and controlling the sample (case of Dominica).

In general, using a specific questionnaire to collect expenditure (excluding Motivation) is a good strategy: the response rate responded magnificently to that decision, as the questionnaires were much shorter.

Supervision is essential if information is to be collected, and to control bias derived from the selection of who, in the eye of the interviewer, might be an “interesting” visitor.

The classifications used in the questionnaire referring to forms of accommodation and purpose of visit are different from those used in statistics based on arrivals, so that re-weighting the sample on the basis of the structure of the universe is a difficult task.

¹ Some countries have no current measurement and just apply a global value that has been measured in the past.

The questionnaire in its formulation is mostly oriented towards occasional visitors to the country without any personal or specific link. It should also be oriented to those categories of persons that are often a very significant share of total arrivals, and for which the length of stay is often a larger, and even more important share of total overnights.

The National Accounts

In all countries, the development of National Accounts is still very limited. None has envisaged the compilation of accounts for institutional sectors, and the focus of expansions of the present system is on the production of accounts by activities, integrated with the analysis of supply and use.

There is now a trend in the Region to try to implement the compilation of production accounts, both from the accounts of activities and the balance of supply and use of products. It supposes a completely different approach to the way basic information is considered, as a much greater understanding and description of the economic processes is required.

One of the major shortcomings of supply statistics in the four countries that have been analysed is the lack of any measurement concerning informal activities.

Tourism Characteristic Activities

For the compilation of a Tourism Satellite Account, it is necessary to establish a list of activities that are relevant for the analysis of tourism. These include activities such as the provision of equipment such as boat-diving gears, helicopter services, water transport etc. This information can be obtained through the knowledge of the Board of Tourism, or brochures that are distributed in the

hotels to guests. It might be necessary to establish some very simple questionnaires to collect basic information on these activities.

Conclusions

The process is on going. The country teams are beginning to understand that setting up a TSA is a complex exercise that will require in-depth knowledge of tourism, and for the time being, we have still not approached the difficult though important issues of the measurement of employment and gross fixed capital formation.

Hopefully, as a response to this important effort by the local authorities, the shareholders of the tourism sector, mainly from the private sector, will respond positively and increase their participation in the process by providing more reliable and complete information.

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