Proposed amendments to the document

TOURISM SATELLITE ACCOUNT (TSA):
METHODOLOGICAL REFERENCES


This room document is submitted by:

EUROSTAT: Statistical Office of the European Communities,
OECD: Organisation for Economic Co-operation and Development
WTO: World Tourism Organization

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BACKGROUND

This document has been prepared jointly by the WTO/OMT - OECD - Eurostat Intersecretariat Working Group on Tourism Statistics (IWG/Tour). The IWG was created in September, two months after the WTO “Enzo Paci World Conference on the Measurement of the Economic Impact of Tourism” and the 1999 Plenary session of the Conference of European Statisticians.

The Enzo Paci World Conference recommended that the WTO prepare, jointly with OECD and EUROSTAT, a common conceptual Tourism Satellite Account framework and its associated attachments and draft technical manuals, and forward the common conceptual Tourism Satellite Account framework for final endorsement by the UN Statistical Commission.

The Conference of European Statisticians asked that the WTO, the OECD, and Eurostat work to ensure that a Common Conceptual Framework for Tourism Satellite Accounts be developed so that countries would not be asked to report inconsistent statistical information.

The IWG met 10 September in Luxembourg and 17 November in Paris to work in this direction. The secretariats remained in close contact and continued to exchange information between and after these meetings. To meet translation requirements the WTO in December submitted a document, *Tourism Satellite Account (TSA): Methodological References* (UNSC Document No. E/CN.3/2000/11), for consideration by the UN Statistical Commission. Some issues remained unresolved with the OECD and Eurostat, but work continued.

There was an informal “joint reading” meeting in Paris in January aimed at clarifying remaining issues and ensuring a common understanding of concepts and terms. On the basis of this meeting two documents were prepared as the basis for a meeting of the IWG in Madrid 10-11 February. One listed and described the remaining major issues; the other comprised drafting changes for E/CN.3/2000/11. The work done by the three secretariats resulted in reaching agreement in Madrid on how to handle each of these issues and on the necessary drafting changes. These issues and drafting changes comprise the balance of this document. Thus the three organisations have met the basic requirement of establishing a common conceptual framework for the development of the methodological design of a TSA.

As a result of this process, we believe that with the modifications to E/CN.3/2000/11 set out below, each of the organisations is now in a position to promote TSA implementation in its respective Member countries. The practical development of TSAs, and for that matter tourism statistics generally, will require continued consultations and work by and with all interested countries.

Since in the secretariats’ view all major issues are resolved, the intent is to move as quickly as possible to publication. With the approval of the Commission, the secretariats will (i) incorporate these drafting changes, (ii) make additional editing changes to ensure consistency with the drafting changes, (iii) make other strictly editing changes to correct for errors, and (iv) submit the document to publication in March. The publication is envisioned to carry the identification logos of the organisations involved (WTO, OECD, Eurostat, and UN).

Finally, it is recognised that the joint work between the international organisations on TSAs is the first result of collaboration between the organisations and further international development of tourism statistics is envisaged with WTO, OECD, Eurostat and other interested international organisations playing an important role.
PROPOSED MAIN AMENDMENTS

Structure of presentation


Discussion between the three organisations within the IWG/Tour identified 18 issues as requiring attention within the document. These issues are listed below together with the relevant reference to the original document.

Next, this document presents major changes and/or clarifications of a methodological character to that text. These major amendments are proposed as new paragraphs or as revised text to paragraphs in the original document. They are presented using the structure of the original document.

Finally, an Attachment 1 is included where these major amendments are incorporated into broader sections of the original document. Attachment 1 is structured according to the 18 issues identified below. Attachment 1 must be viewed as a provisional (and partial) version of a full redraft for the “Tourism Satellite Account (TSA): Methodological References”. While there is still a need for a final editing round to ensure that the remaining original text is consistent with the paragraphs suggested in Attachment 1, any additional changes required are thought to be relatively minor. It is important to note that a final editing round will not implement any changes in the present structure of the document.

Key issues for amendment

1. History of the TSA development process
   Text concerning the history of the development of TSAs has been included. A reference paragraph has been included (New paragraph after 1.2) and a new Annex has been introduced to present additional detail.

2. Additional introductory paragraphs
   Paragraphs have been added to the Introduction (Chapter 1) to make clearer the intended status, purpose and scope of this document. (Revised 1.17, New 1.18 - 1.21).

3. Clarity on usual environment
   Amendments have been made to ensure that the difficult area of the definition of the usual environment is more clearly presented. (Revised 1.10, 2.7, 2.10 - 2.12).

4. Treatment of second homes for tourism purposes
   Some small amendments have been made to ensure that the treatment of second homes is clear. (Revised 2.14 - 2.16).

5. In transit visitors
   Amendment has been made to paragraph 2.21 to make clear the distinction between in transit visitors, same-day visitors and tourists.

6. The definition visitor consumption
   A large section of the document (2.28 - 2.54) has been reorganised to provide a clearer explanation of the ideas surrounding visitor consumption. The section includes
discussion on relevant national accounts concepts, the treatment of consumer durables, the inclusion of individual non-market services and the components of visitor consumption.

7. The venue of visitor consumption
   Amendment has been made to paragraphs 2.57 - 2.61 to explicitly note changes in the common understanding of certain terms.

8. Services within the household
   Amendments have been made to paragraphs 2.65, 2.67, 3.34 and 3.35 to further clarify the situation with regard to services within the household.

9. Tourism collective consumption
   Amendments have been made to some paragraphs in section II.C (paragraphs 2.73 - 2.75) to further clarify the definition of this item.

10. Tourism gross fixed capital formation (GFCF)
    Changes have been made to paragraphs 2.77 - 2.79 to reflect the lack of a clear definition of tourism GFCF and the difficulties of measurement.

11. The definition of characteristic products
    This section (paragraphs 3.11 - 3.22) has been substantially reorganised to better reflect the issues and definitions being presented.

12. The treatment of goods purchased by visitors
    This section (B.2.5: 3.53 - 3.59) has been amended to take account of the differences in position which exist within the inter-secretariat group. The resulting position is neutral.

13. Tourism employment
    Paragraph 3.69 has been revised to include reference to a new annex on the OECD employment module.

14. Valuation and time of recording
    New paragraphs after 4.8 have been introduced to cover this topic which was not explicitly discussed in the previous version.

15. The estimation of tourism value added aggregates
    In order to make more clear some of the issues involved in estimating the tourism value added aggregates some paragraphs have been revised (4.53, 4.87, 4.91) and some new paragraphs have been introduced (after 4.54 and after 4.83).

16. The use of physical/non-monetary indicators
    Paragraph 4.73 has been revised to indicate the need to develop better the links between the table of non-monetary indicators and the monetary tables.

17. The definition of tourism demand
    Amendments to paragraphs 4.107 - 4.109 have been made to make clear the measurement and definitional issues associated with this concept.

18. Bibliography
    Changes have been made in the bibliography to appropriately update the listing provided.
List of proposed main amendments

Chapter 1: Introduction

NEW PROPOSALS

New paragraph after 1.2: corresponds to 1(1) of Attachment 1
The increasing awareness of the economic impacts of tourism has been recognised over a number of years and a number of countries and international organisations have been involved in the development of techniques relevant for the measurement of tourism’s economic impact. A short history of the developments in measuring tourism from an economic perspective is contained in Annex 2 of this document.

New paragraphs after 1.17: corresponds to 2(2) to 2(5) of Attachment 1
Such changes may include implementation of new developments in relation to the proposed classifications on products and activities, new fields of application (national tourism indicators, balance of payments analysis, regional level analysis) or specific modules (employment, government revenues).

The requirement to maintain consistency with the SNA93 production boundary has lead to the exclusion of certain activities which may be considered relevant to tourism, particularly the production of services by households. (This includes consideration of the services produced and consumed by households when using their own car for tourism purposes.) While these types of extensions are possible, consistency with SNA93 has been given a higher status and so such extensions are not discussed within this proposal.

This proposal limits discussion in a number of areas in order to present simply the results of many deliberations by tourism statisticians. However, in order to give more background to the proposal a series of background papers and technical manuals are planned for release. As well a bibliography is provided at the end of this proposal.

Finally, it is observed that this proposal does not place any requirements upon countries to produce TSAs. Rather it is an important step in a joint process aimed at developing further the international tourism statistics system. Many of the issues involved are complex and require further development and discussion. It is believed that the development of TSAs by countries will assist in the development of standards but it is also hoped that the release of this proposal will further encourage countries to consider the benefits of producing Tourism Satellite Accounts.

REVISED TEXT

Revised paragraph 1.10: corresponds to 3(1) of Attachment 1
But visitor consumption is not restricted to a set of predefined goods and services produced by a predefined set of industries. What makes tourism special is not so much what is acquired, but the temporary situation in which the consumer finds himself/herself: he/she is outside his/her usual environment, and this is the characteristic that identifies him/her as different from any other consumer.

Revised paragraph 1.17: corresponds to 2(1) of Attachment 1
This proposal should be understood to be the first step in a process of methodological development of this new statistical instrument whose operational character is a synthesis shared in common with National Accounts. Its progressive implementation by countries depends also on the development achieved in the corresponding implementation of SNA93 but, in any case, it will be necessary in the future to update some of the recommendations included in this proposal and to propose different types of extensions.
Chapter II: The demand approach: concepts and definitions

NEW PROPOSALS

New paragraph 2.33: corresponds to 6(8) of Attachment 1
While this defines a first important aggregate “Household final consumption expenditure” it was noted above that actual consumption need not be undertaken by the person who incurs the expenditure. In SNA93 it is observed that there are many services consumed by households which are in fact paid for by government or NPISH. To allow for a more accurate measure of consumption SNA93 has developed the notions of individual and collective non-market services. Individual non-market services are those services produced by governments or NPISH which can be seen as directly consumed by individuals (examples are health and education). Collective non-market services are only provided by governments and consist of more general public goods such as defence, legal systems and public policy. Importantly, from a tourism perspective, it is relevant to note that the existence of an individual non-market service requires the identification of a clear link between the provider of the service and an individual.

New paragraphs after Figure II.1: correspond to 6(13), 6(16) and 6(19) of Attachment 1
The definition of visitors does not cover only individuals who travel for holidays or personal reasons. It also includes those travelling for business purposes. The consumption of these visitors could be paid by either businesses, by government or by NPISH. Consequently, the consumption of these visitors is within the scope of visitor consumption even though this consumption does not fall within household final/actual consumption expenditure.

The scope of visitor consumption can be determined from these definitions of household actual final consumption, business intermediate consumption and government and NPISH final consumption which are presented in SNA93. Three main points can be noted:

- Visitor consumption will include the consumption of visitors for business, leisure and other purposes.
- Visitor consumption will include individual services produced by governments and NPISH and consumed by visitors.
- Visitor consumption will include consumption in kind of various types.

The scope of tourism business expenses needs clarification: it includes those tourism expenses that are classified as intermediate consumption of private businesses, government units and NPISH. Thus, it does not include some other expenses corresponding to employees on business trips paid by businesses such as payments for meals or lump sums allocated to them to cover their other travel costs, that are considered as remuneration in kind or in cash. As a consequence, tourism business expenses do not represent total consumption of visitors on business trips. Nor does it include social transfers in kind provided by government units and NPISH, which by definition are not part of their intermediate consumption.

REVISED TEXT

Revised paragraph 2.7: corresponds to 3(2) of Attachment 1
The usual environment required to distinguish a visitor from all other travellers within a location is difficult to define in precise terms. Generally speaking, it corresponds to the geographical boundaries within which an individual displaces himself/herself within his/her regular routine of life. As recommended by the UN Recommendations on Tourism Statistics, usual environment of a person consists of the direct vicinity of his/her home and place of work or study and other places frequently visited. It has two dimensions:
• Frequency - places which are frequently visited by a person (on a routine basis) are considered as part of their usual environment even though these places may be located at a considerable distance from the place of residence.
• Distance - places located close to the place of residence of a person are also part of the usual environment even if the actual spots are rarely visited.”

National statistical organizations might establish the boundaries of the usual environment by referring to distances travelled, frequency of visits, or the formal boundaries of localities or other administrative territories.

Revised paragraph 2.16: corresponds to 4(3) of Attachment 1
By definition, any member of the household who visits a second home that is not within his/her usual environment is considered a visitor to that second home. A second home is part of his/her usual environment if the second home itself is his/her usual working place or it is the place from where any member of the household regularly commutes to his/her working place or if trips to the second home occur on a regular basis.

Revised paragraph 2.21: corresponds to 5(1) of Attachment 1
In transit visitors is a specific category of visitors, related both to international and domestic visitors and to the categories same-day visitors and tourists. It refers to visitors who do not immediately return to their place of origin but stop in the country of reference on their way to a different destination. Within this category are those visitors legally in transit because they remain in a transit zone, so that they do not actually enter the country (a situation normally associated with visitors arriving by air), but also those visitors crossing a location or the territory of a country, heading to a different destination (the most relevant cases refer to those travelling by road or rail). In most cases, the most relevant subset of in-transit visitors will be related to same-day visitors, but in some other cases they may be a subset of those visitors staying overnight within the country of reference. The identification of in-transit visitors might be of interest in some countries, because of their relevance, both in numerical terms and for their economic impact.

Revised paragraph 2.28: corresponds to 6(1) of Attachment 1
Individual consumption is an activity undertaken by individuals, the households to which they belong and by businesses, government units and non-profit institutions serving households (NPISH) in the production of goods and services. In the same way as the visitor is at the centre of tourism activity, the consumption of the visitor is at the centre of the economic measurement of tourism. The visitor is viewed as a particular type of individual consumption unit, who is distinguished from other individuals by the fact that he/she is outside his/her usual environment. Otherwise, he/she behaves like an ordinary consumer, so that the characteristics of consumption activity described in SNA93 are also relevant for visitors.

Revised paragraph 2.50: corresponds to 6(27) of Attachment 1
Consumer durable goods will have a different treatment according to the following convention:
  • All tourism single purpose consumer durable goods will be included whether purchased during a trip, before a trip, after a trip or outside the context of a specific trip.
  • Multi-purpose consumer durables will only be included if purchased during a trip.

Revised paragraph 2.51: corresponds to 6(28) of Attachment 1
Two additional comments with respect to consumer durables need to be made:
  • In the case of any consumer durable item which is purchased on a trip but then sold at the conclusion of the trip (e.g. a car), the value to be considered within visitor consumption is the difference between the original purchase price and the
price received upon re-sale by the visitor; no allocation is made for costs of use. (No purchases for commercial purposes are considered for such treatment.)

- Since some consumer durables purchased during a trip may be of high unit value (e.g. cars, boats) some countries may find it useful to identify these items and conduct analysis both including and excluding them. However, for the purposes of international comparison all purchases during a trip should be included in visitor consumption.

**Revised paragraph 2.52: corresponds to 6(29) of Attachment 1**

As noted in the treatment of consumer durables the timing of purchase can be a significant issue. The following represents the boundary of visitor consumption from a time perspective:

- **During the trip**
  - All consumption regardless of the nature of the good or service as long as it is a product that SNA93 considers part of household actual final consumption.
  - This includes all consumer durables purchased on a trip (excluding those for commercial purposes).
  - This includes tourism business expenses since the product range is the same for this group of expenses.

- **Before a trip**
  - All consumption on services made before a trip and clearly related to the trip (e.g. inoculations, passports, medical control)
  - All consumption on goods of small value purchased before the trip that are intended for use on the trip or are brought along as gifts
  - All purchases of tourism single purpose consumer durables

- **After a trip**
  - All consumption on goods and services purchased after the trip and clearly related to the trip (e.g. photograph development)

- **Outside the context of a specific trip**
  - All purchases of tourism single purpose consumer durables.

**Revised paragraph 2.75: corresponds to 9(3) of Attachment 1**

In this proposal, tourism collective consumption is considered within a broader notion of tourism demand although, for the time being, the approach to this component will only have an experimental character due to the lack of experience in this field. As a consequence, the estimate of this aggregate should not be used, for the time being, for international comparisons.

**Revised paragraph 2.78: corresponds to 10(2) of Attachment 1**

However, there are a number of different perspectives to tourism GFCF which can be adopted. First, it is possible to look at the GFCF of the tourism industries (as defined in chapter 3). Alternatively it is possible to consider the GFCF on specific tourism capital goods which are directly linked to the provision of services to visitors. Finally, it is possible to consider the proportion of total GFCF which is required to provide goods and services to visitors. Combinations of these views may also be possible as well as consideration of public GFCF.

**Revised paragraph 2.79: corresponds to 10(3) of Attachment 1**

At this stage the most straightforward perspective is the first one mentioned - the GFCF of tourism industries. However until more discussion and research is carried out no specific aggregate is proposed for the purposes of international comparison. Any of the aggregates noted above may be of interest to countries in compiling their TSAs. Notwithstanding these measurement difficulties, the concept of tourism gross fixed capital formation is considered within a broader notion of tourism demand.
Chapter III: The supply approach: concepts and definitions

NEW PROPOSALS

New paragraphs: correspond to 11(5) - 11(8) of Attachment 1

With the view of combining the two objectives of international comparability on a core of tourism goods and services and productive activities on the one hand, and of the consideration of the special needs, technical capability and statistical development of compilers on the other the following proposal is made:

First, from the perspective of the publication of TSA results by international organizations it is understood that, on a worldwide basis, international comparability will only be achieved on the basis of a fixed list of products. Such a list is designated in this proposal as the list of tourism characteristic products (TSA/TCP) \(^1\). This list would be updated periodically. Broader or more detailed lists might be established by individual organizations (OECD, EUROSTAT and others), for appropriate comparability among their member countries, provided correspondence is maintained between these lists and the basic classifications.

Second, any country or compiler wishing to develop its own list of products should select those products from the provisional list of Tourism Specific Products (TSP). This may entail expanding the list of the above-mentioned tourism characteristic products (TSA/TCP) to a broader one, designated as an ad hoc list of tourism specific products. Such a list could respond to both objectives: international comparability, on the subset of tourism characteristic products, and specific needs on the total of tourism specific products in a given country.

Therefore from the point of view of an individual country and in terms of general analysis it is the list of tourism specific products which is deemed of more relevance and importance. However, for the purpose of deriving a complete presentation of the different categories of products a term is required to define those products which are deemed specific but are not within the above-mentioned list of tourism characteristic products (TSA/TCP). In this proposal the term tourism connected products is used although it is to be noted that the term “connected” is used differently from the use of the term in SNA93.

New paragraph: corresponds to 11(11) of Attachment 1

To aid in the establishment of product lists, the WTO has developed a provisional list of Tourism Specific products (TSP). This list has been established empirically, using previously existing national and institutional lists and the specific knowledge of researchers, and applying for inclusion, in a loose way the following criteria:

- those the supply of which would cease to exist in meaningful quantity in the absence of visitors;
- those which represent a significant share of tourism consumption;
- those in whose absence, tourism consumption might be significantly affected.

New paragraph 3.57: corresponds to 12(4) of Attachment 1

Importantly, the use of the purchaser’s value of the goods should allow the decomposition of the tourism supply between the basic value of the good and the corresponding margins. Ideally information should be available to be able to make the complete decomposition and thus the measurement of tourism supply with respect to goods should not be limited by data considerations. It may be the case that a breakdown of different margins is not available.

\(^1\) See TSA ¶¶3.18 to 3.20.
Treatment in such situations would need to be considered based on examination of the data issues concerned.

New paragraph 3.58: corresponds to 12(5) of Attachment 1
The valuation scheme used in the proposed tables corresponds to a coherent scheme where the value of the products and the corresponding distribution margins are clearly explained. The tables use the same basis of recording as the national accounts and therefore various aggregate measures can be defined consistent with the principles used in the national accounts.

New paragraph 3.59: corresponds to 12(6) of Attachment 1
Overall, the treatment of goods within tourism supply is complicated by trying to decide whether all of the output of the various producers involved in getting the good to sale should be included or only the output of the producer with whom the visitor has direct contact, i.e. the retailer. The case is by no means clear in either direction since one can imagine different approaches being ideal for different goods depending on the purpose of the analysis. It may be that for analytical purposes a country chooses one method or another to reflect the level of tourism supply.

New paragraph : corresponds to 12(7) of Attachment 1
Without a common position in this area it is stated in this proposal that international intergovernmental organisations (such as WTO, OECD and Eurostat) will continue the task of defining appropriate criteria of valuation to analyse the economic impacts of tourism and defining appropriate standards for the presentation and international comparison of results. The experience of countries in the development and use of their TSAs in the future will provide important input to this task.

REVISED TEXT

Revised paragraph 3.69: corresponds to 13(1) of Attachment 1
This underlines the importance of measuring employment by a variety of indicators which complement each other and may not have general application in the economy. These include: employment, jobs, full-time equivalent employment, and total hours worked. Complementarity and consistency between measures of compensation of employees and the measures of employment is also an important consideration. In order to extend analysis in this important area of tourism statistics the OECD has developed an employment module for TSAs and a more complete description of this module is contained in Annex 3 of this document.

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2 SNA93, ¶17.4 - 17.18
Chapter IV: Tables, accounts and aggregates

NEW PROPOSALS

New paragraphs after 4.8: corresponds to 14(1) and 14(2) of Attachment 1

The valuation principles that should be employed are essentially the same as those advocated in SNA93, that is, production should be valued at basic values and use at purchasers’ prices. As far as time of recording is concerned, the TSA operates on the same basis as SNA93, that is, on an accruals basis, not on cash or “due for payments bases”.

In practice, the valuation and time of recording methods used are likely to be consistent with those used in the general national accounts of the country compiling the TSA. Therefore, depending on individual country practices these methods may not be identical to the recommendations of SNA93 or of this proposal. Consequently, for the purposes of international comparison it is important that the methods of valuation and time of recording are understood by TSA compilers and are reported when disseminating data or methodology.

New paragraph after 4.54: corresponds to 15(2) of Attachment 1

Although there are difficulties in establishing the assumptions for the calculation of tourism value added, the assumptions for the calculation of TGDP are even more problematic. This is because the difference between TVA and TGDP consists mainly of taxes and subsidies and appropriate tourism shares for these items are not necessarily as connected to the production of tourism products as is the case with intermediate consumption and output. While the calculation of TGDP is possible it should be noted that there are additional considerations to be taken into account in performing this calculation which make it important that are be taken in its use and interpretation.

New paragraph after 4.83: corresponds to 15 (3) of Attachment 1

In part the difficulty is that VATI is dependent on the definition of the characteristic industries which could vary across countries. As well, because of differences across countries even using the same range of characteristic industries may not lead to comparable measures of tourism’s impact in different countries.

REVISED TEXT

Revised paragraph 4.87: corresponds to 15(4) of Attachment 1

But TVA would also include additionally the corresponding value added associated with the output of those secondary activities that, although part of visitor consumption is not produced by establishments whose main activity is a tourism characteristic activity. Consequently, TVA can be seen to be independent of the definition of characteristic industries and products. This aids its usefulness as an internationally comparable measure of the economic impact of tourism.

Revised paragraph 4.91: corresponds to 15(5) of Attachment 1

It is important to address three issues here:

- The only indicators strictly characterizing tourism supply emerge from TVA and TGDP. VATI is a measure of the supply side of tourism but is not sufficiently well defined in terms of its links to visitor consumption to allow it to be the most accurate measure of tourism supply.
- TVA and TGDP can provide measures of the economic importance of tourism in a country in the same sense as the GDP of any productive activity does. However, they do not refer to tourism as a productive activity comparable to productive activities in SNA93. They are indicators emanating from a reconciliation of tourism
consumption and supply, and their values will depend on the scope of measurement of visitor consumption that a country adopts.

- The estimation of TVA and TGDP relies on a number of measurement assumptions. For TVA these assumptions can be determined and applied in a reasonably straightforward manner. However, for TGDP there are significantly more problems in separating out tourism and non-tourism components of the variables concerned and thus additional care must be taken when using or interpreting this aggregate.

Revised paragraphs 4.108 - 4.109: corresponds to 17(2) - 17(3) of Attachment 1

In this proposal an additional aggregate is suggested called Total tourism demand, which consists of the sum of internal tourism consumption, tourism gross fixed capital formation and tourism collective consumption. It is noted however, that the definition and measurement problems associated with tourism GFCF and tourism collective consumption are by extension equally relevant for total tourism demand and thus its precise definition cannot be made as yet.

Therefore, coherent with previous remarks ³, this proposal does not consider the estimation of this aggregate for international comparison until more experience and methodological research, especially regarding tourism GFCF and tourism collective consumption, is undertaken.

³ TSA4.93, 4.101 and 4.106
1. History of the TSA development process

New paragraph after 1.2
1.(1) The increasing awareness of the economic impacts of tourism has been recognised over a number of years and a number of countries and international organisations have been involved in the development of techniques relevant for the measurement of tourism's economic impact. A short history of the developments in measuring tourism from an economic perspective is contained in Annex 2 of this document.

New annex
Annex 2: Historical background

1991: a date for history

1.(A1) The WTO International Conference on Travel and Tourism Statistics, held at Ottawa, Canada, in 1991 (hereafter called the “Ottawa Conference”), was the culmination of the great efforts made in the second half of the 1970s and more specifically in the 1980s, not only by international organizations (especially the United Nations, WTO and OECD) but also by countries among which, in addition to Canada, France deserves special mention as a pioneer in the measurement of the economic impact of tourism.

1.(A2) Since their inception, the United Nations through its Statistical Commission (UNSC) and the World Tourism Organization (WTO) are the international organizations that have established a set of definitions and classifications for tourism with two main purposes:

- to achieve international comparability; and
- to serve as a guide to countries for the introduction of a statistical system for tourism.

1.(A3) The period between 1937 and 1980 was characterized by the establishment of definitions and classifications for international tourism statistics that were barely compatible with other statistics:

- In 1937, the Council of the League of Nations recommended a definition of “international tourist” for statistical purposes. This was slightly amended by the International Union of Official Travel Organizations (IUOTO) at a meeting held at Dublin in 1950.
- In 1953, the United Nations Statistical Commission established the concept of “international visitor”.
- The United Nations Conference on International Travel and Tourism (Rome, 1963) recommended definitions for the terms “visitor”, “tourist” and “same-day visitor” proposed by IUOTO. These definitions were subsequently examined by a

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4 The new and revised paragraphs have been numbered according to the issue under consideration. For example for issue 2, the third new or revised paragraph would be labelled 2.(3).
In 1967, the United Nations established an expert group on international travel statistics, which was endorsed by the United Nations Statistical Commission in 1968.

- In 1978, the provisional guidelines on statistics of international tourism were approved by the UN Statistical Commission.

1. In the 1980s, an overall awareness began to emerge of the importance of tourism and its interdependence with other economic and social activities. WTO, in close cooperation with the Statistical Division of the United Nations, initiated statistical research in two directions:

- the first aimed at proposing modifications to the definitions and classifications used in studies of tourism to make them compatible and consistent with those of the other national and international statistical systems; and;
- the second, aimed at incorporating tourism into the analytical framework of National Accounts.

2. As early as 1983, at the fifth session of the General Assembly in New Delhi, WTO issued a report illustrating how it was possible to describe tourism within the recommendations regarding National Accounts existing at that time (System of National Accounts 1968). The document stressed the importance of such an exercise as a "uniform and comprehensive means of measurement and comparison with other sectors of the economy". It was not implemented as such but is still considered as a general guideline for most of WTO's activities concerning the international harmonization of tourism concepts and statistics.

3. This earlier international work on tourism statistics allowed WTO to present a consistent system of tourism concepts, definitions and classifications at the Ottawa Conference. In particular, a set of statistical definitions on domestic and international tourism and a classification of tourism activities were proposed, both of them interrelated to other international statistics. Moreover, attention was drawn to the need for a system of tourism information integrated to the System of National Accounts: the Tourism Satellite Account.

4. The Tourism Committee of the Organisation for Economic Co-operation and Development (OECD) worked on advance recognition of the scope, nature and roles tourism performs in the OECD economies and to demonstrate the need for such information in the policy-making. Since 1985, OECD has been working on the integration of tourism within broader statistical instruments like the SNA. In the development of the Manual on Tourism Economic Accounts (OECD, 1991), OECD examined several of the thornier problems related to the measurement of tourism (reconciliation of supply and consumption, treatment of package tours).

5. Special mention should be made of the presentation by Statistics Canada during the Ottawa Conference of a scheme to "establish a credible and comparable means for assessing tourism economic activities in relation to other industries in a domestic economy, develop a framework for relating other relevant data regarding tourism activities in an organized and consistent manner, and ensure a means of 'friendly' access to the database by potential users". The Statistics Canada scheme was based on a project to examine the feasibility of applying the principles of satellite accounting to the tourism industry, that was part of the Canadian National Task Force on Tourism Data (1984-1986). The report on the proposed Tourism Satellite Account was released in May 1987, corresponding to the time when the WTO was beginning to develop its ideas for international guidelines for a Tourism Satellite Account.
Since the Ottawa Conference, not only have many of the initiatives presented begun to materialize, but also the number of countries developing a TSA has increased. In addition to governments, the private sector also has developed its initiatives.

At its twenty-seventh session in 1993, the UNSC adopted the recommendations of the Ottawa Conference on standard definitions and classifications of tourism and WTO’s Standard International Classification of Tourism Activities (SICOTA) as a provisional classification to guide countries. In 1994, the United Nations and the World Tourism Organization published the “Recommendations on Tourism Statistics”, a report on definitions and classifications for tourism statistics pursuant to the Statistical Commission’s request that these be published and widely distributed. Based on the Steering Committee’s work as reflected in this document, some of the definitions and classifications in the 1994 report will need to be adjusted to conform to the principles of this conceptual framework for the elaboration of the TSA.

Within OECD data collection and analysis of the Tourism Economic Accounts (TEA) started in 1992 and since then, the TEA has constituted a useful instrument for policy orientation. OECD provides permanent guidance to member countries on how to develop comparable international accounts, using national accounting principles and adopting an integrated approach favouring linkages of tourism with other important economic aspects of tourism, notably employment. Specifically in 1997 the OECD Tourism Committee made the first proposal for a “Tourism Satellite Account for OECD countries”.

The Statistical Office of the European Communities (EUROSTAT) has also developed a large number of programmes and carried out studies on tourism statistics in the European Union. It has prepared a “Community Methodology on Tourism Statistics”, compatible with UN/WTO standards, which is adapted to the specific needs and context of the Member States of the European Union. Special mention should be made of the “Council Directive on the Collection of Statistical Information in the Field of Tourism” (approved in 1995), which aims at harmonising and improving the statistical data produced by Member States and constitutes the first legal step taken to create an integrated system of information on tourism supply and demand. To this end EUROSTAT carries out regular data collection (monthly, quarterly and annual information) and dissemination of basic tourism statistics. The scope of the information required by the Directive covers:

- the capacity of collective tourist accommodation;
- the flow of guests in collective tourist accommodation (domestic and inbound tourism); and
- tourism demand in the two most important tourism markets: holidays and business trips (domestic and outbound tourism).

Canada stands out among the countries that have developed Tourism Satellite Accounts during this period. In July 1994, the first results of the TSA developed by Statistics Canada were published. Other countries, such as the Dominican Republic (which applied an initial version of this conceptual framework and later adapted it as

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the versions were modified), New Zealand, Mexico, Norway, Singapore, Sweden, and the United States of America have recently published their TSAs. Others like Australia, Cuba, Finland, India, Philippines, Poland, Spain, Switzerland and perhaps a few more, will do likewise in the near future. The large majority are member countries of OECD that have benefited from the work carried out by the OECD Tourism Committee in recent years for the development of their systems.

1.(A14) Within the private sector, the World Travel and Tourism Council (WTTC) stands out for its approach to the quantification of the economic impact of tourism. Its methodology focuses on the quantification of the economic impact of visitor consumption (Travel & Tourism Industry) as well as total demand (Travel & Tourism Economy) through a simulation model. The former is limited to the direct impact of visitor consumption on production. The latter perspective considers the direct and indirect impact associated with capital investment, government expenditures and foreign trade including the increased demand for goods and services generated by the movements of persons all over the world (World Tourism). WTTC favours a demand-side approach, with a comprehensive definition of its scope, linked by economic models to supply-side concepts. Its research relies heavily on economic modelling techniques.

2. Additional introductory paragraphs

Revised paragraph 1.17 and new paragraphs thereafter:

2.(1) This proposal should be understood to be the first step in a process of methodological development of this new statistical instrument whose operational character is a synthesis shared in common with National Accounts. Its progressive implementation by countries depends also on the development achieved in the corresponding implementation of SNA93 but, in any case, it will be necessary in the future to update some of the recommendations included in this proposal and to propose different types of extensions.

2.(2) Such changes may include implementation of new developments in relation to the proposed classifications on products and activities, new fields of application (national tourism indicators, balance of payments analysis, regional level analysis) or specific modules (employment, government revenues).

2.(3) The requirement to maintain consistency with the SNA93 production boundary has lead to the exclusion of certain activities which may be considered relevant to tourism, particularly the production of services by households. (This includes consideration of the services produced and consumed by households when using their own car for tourism purposes.) While these types of extensions are possible, consistency with SNA93 has been given a higher status and so such extensions are not discussed within this proposal.

2.(4) This proposal limits discussion in a number of areas in order to present simply the results of many deliberations by tourism statisticians. However, in order to give more background to the proposal a series of background papers and technical manuals are planned for release. As well a bibliography is provided at the end of this proposal.

2.(5) Finally, it is observed that this proposal does not place any requirements upon countries to produce TSAs. Rather it is an important step in a joint process aimed at developing further the international tourism statistics system. Many of the issues involved are complex and require further development and discussion. It is believed that the development of TSAs by countries will assist in the development of standards
but it is also hoped that the release of this proposal will further encourage countries to consider the benefits of producing Tourism Satellite Accounts.

3. Clarity on usual environment

Revised 1.10, 2.7, 2.10, 2.11, 2.12:

3.(1) But visitor consumption is not restricted to a set of predefined goods and services produced by a predefined set of industries. What makes tourism special is not so much what is acquired, but the temporary situation in which the consumer finds himself/herself: he/she is outside his/her usual environment, and this is the characteristic that identifies him/her as different from any other consumer.

3.(2) The usual environment required to distinguish a visitor from all other travellers within a location is difficult to define in precise terms. Generally speaking, it corresponds to the geographical boundaries within which an individual displaces himself/herself within his/her regular routine of life. As recommended by the UN Recommendations on Tourism Statistics, usual environment of a person consists of the direct vicinity of his/her home and place of work or study and other places frequently visited. It has two dimensions:

- Frequency - places which are frequently visited by a person (on a routine basis) are considered as part of their usual environment even though these places may be located at a considerable distance from the place of residence.
- Distance - places located close to the place of residence of a person are also part of the usual environment even if the actual spots are rarely visited."

National statistical organizations might establish the boundaries of the usual environment by referring to distances travelled, frequency of visits, or the formal boundaries of localities or other administrative territories.

3.(3) The concept of usual environment defined by the UN/WTO Recommendations on Tourism Statistics and that of residence, used in SNA93 and in the fifth edition of the Balance of Payments Manual (BPM5) are not synonymous. The place where an individual works is clearly part of his/her usual environment but is not necessarily his/her place of residence.

3.(4) Certain tourism conventions have been applied which are applicable within a TSA. These conventions include:

- Commuting to work according to the UN/WTO definition is travelling but is not considered as a tourism activity. 7
- If an individual leaves his/her place of residence with the intention of establishing residence in a new place, s/he should not be considered as a visitor to this new place, even if s/he has not yet resided there for a year. This new place becomes part of his/her new usual environment.
- If an individual has been present in a place for more than one year, this place is considered as part of his/her usual environment. Thus, s/he cannot be considered as a visitor to this place, although s/he might not be a resident of this place in the economic or legal sense of the term.

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7 UN/WTO Recommendations on Tourism Statistics, ¶22.
3.(5) In general, in statistics on population, residency is a characteristic attached to households, while in tourism statistics the usual environment is a characteristic attached to individuals, each of which is part of a unique household. Two individuals who are part of the same household necessarily have the same residence but may have different usual environments.

4. **Treatment of second homes for tourism purposes**

Revised 2.14 - 2.16

4.(1) For each household, there will be a dwelling that is considered statistically as the primary home and residence of this household. All other dwellings (rented or owned) occupied by a household will be considered second homes.

4.(2) To be considered as second homes these dwellings may have one or more of the following characteristics:

- it may be the usual environment of one or more of the members of the household but is not the primary residence of the household;
- it is a vacation home, that is, it is visited infrequently or not by one or more of the members of the household for recreation, vacation or other activities different from the exercise of an activity remunerated within this place;
- it is visited occasionally by one or more members of the household for work reasons.

4.(3) By definition, any member of the household who visits a second home that is not within his/her usual environment is considered a visitor to that second home. A second home is part of his/her usual environment if the second home itself is his/her usual working place or it is the place from where any member of the household regularly commutes to his/her working place or if trips to the second home occur on a regular basis.

5. **In-transit visitors**

Revised 2.21

5.(1) In transit visitors is a specific category of visitors, related both to international and domestic visitors and to the categories same-day visitors and tourists. It refers to visitors who do not immediately return to their place of origin but stop in the country of reference on their way to a different destination. Within this category are those visitors legally in transit because they remain in a transit zone, so that they do not actually enter the country (a situation normally associated with visitors arriving by air), but also those visitors crossing a location or the territory of a country, heading to a different destination (the most relevant cases refer to those travelling by road or rail). In most cases, the most relevant subset of in-transit visitors will be related to same-day visitors, but in some other cases they may be a subset of those visitors staying overnight within the country of reference. The identification of in-transit visitors might be of interest in some countries, because of their relevance, both in numerical terms and for their economic impact.

6. **The definition of visitor consumption**

Revised section covering paragraphs 2.28 - 2.54
6.(1) Individual consumption is an activity undertaken by individuals, the households to which they belong and by businesses, government units and non-profit institutions serving households (NPISH) in the production of goods and services. In the same way as the visitor is at the centre of tourism activity, the consumption of the visitor is at the centre of the economic measurement of tourism. The visitor is viewed as a particular type of individual consumption unit, who is distinguished from other individuals by the fact that he/she is outside his/her usual environment. Otherwise, he/she behaves like an ordinary consumer, so that the characteristics of consumption activity described in SNA93 are also relevant for visitors.

6.(2) It is necessary to distinguish the notion of a transaction from that of a transactor. The measurement of tourism is complicated by the fact that a single type of transaction can be deemed to be included or excluded from tourism by the nature of the transactor (visitor versus non-visitor). Conversely, it may be useful to define some transactions as being tourism in nature irrespective of the nature of the transactor. In measurement drawing a line between these two ideas is not straightforward and this section will in many cases choose a pragmatic line to determine the appropriate scope.

6.(3) Sub-sections B1 - B3 are structured to consider the consumption boundary used in national accounts - first for households and then for businesses, governments and NPISH - and then to consider the impact of the national accounting conventions for tourism. Tourism does have some boundary issues which require specific adjustment to national accounting standards.

B.1. Household final consumption in SNA93

6.(4) SNA93 defines a series of concepts associated with household final consumption. The System introduces differences between the concepts of: expenditure on consumption goods and services; household final consumption expenditure and actual final consumption of households. In doing so, it takes into account the particularities of the so called “individual non market services”, for which individual beneficiaries can be identified. In this respect SNA93 recognizes the difference between the institutional unit which pays for the services, and the institutional unit which benefits from them, and proposes a way to transfer the consumption from one unit to the other.

6.(5) Expenditure is defined as the value of the amounts that buyers pay, or agree to pay, to sellers, in exchange for goods or services that sellers provide to them or to other institutional units designated by the buyers.

6.(6) “A consumption good or service is defined as a good or service that is used (without further transformation in production as defined in the System) by households,... for the direct satisfaction of individual needs or wants...” ^8 For the purposes of constructing a consumption boundary the national accounts excludes most services produced by the household such as the preparation of meals. The food purchased for meals is considered as a consumption good, but there is no further (economic) transformation and thus no further consumption. The gas bought for the automobile of the household is considered as a consumption good also for the same reason, as no service is attached to the personal use of an automobile by a household.

6.(7) Household final consumption expenditure covers “expenditure, including imputed expenditure, incurred by resident households on individual consumption goods and

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^8 SNA93 § 9.41.
services, including those sold at prices that are not economically significant. Final consumption expenditure excludes expenditure on fixed assets in the form of dwellings or on valuables. Imputed expenditure refers to the value of production of goods by households for own final use, or any other transfer or transaction in kind between institutional units, except social transfers in kind. Importantly, goods and services received as remuneration in kind from the employer are included within household final consumption expenditure. Also included is the value of services provided by dwellings to the owner occupier. However, in general, there is no imputation for other types of services on own account.

6.(8) While this defines a first important aggregate “Household final consumption expenditure” it was noted above that actual consumption need not be undertaken by the person who incurs the expenditure. In SNA93 it is observed that there are many services consumed by households which are in fact paid for by government or NPISH. To allow for a more accurate measure of consumption SNA93 has developed the notions of individual and collective non-market services. Individual non-market services are those services produced by governments or NPISH which can be seen as directly consumed by individuals (examples are health and education). Collective non-market services are only provided by governments and consist of more general public goods such as defence, legal systems and public policy. Importantly, from a tourism perspective, it is relevant to note that the existence of an individual non-market service requires the identification of a clear link between the provider of the service and an individual.

6.(9) From these notions of individual and collective non-market services emerge ideas of individual and collective consumption. Total individual consumption includes, in addition to household final consumption expenditure, the consumption of individual non-market services produced by governments and NPISH. The transfer of these individual non-market services to the consumption of households is shown in SNA93 as social transfers in kind. Social transfers in kind consist of:

- social security and social assistance benefits provided in kind, that is in the form of a good, service or asset other than cash;
- other individual services provided to individual households by government units or NPISH. These consist roughly of health, education and social services provided to individuals free of charge, or at very low prices, which are not economically significant.

6.(10) The ability to describe individual and collective consumption in the national accounts allows a more comparable treatment of situations in which transfers in kind have different relative importance. In some countries, where General Government provides education and health free of charge or at very low costs, the structure and relative importance of household final consumption expenditure would be different from those existing in the countries where these services are purchased on the market or at market prices. Including social transfers in kind reduces strongly these discrepancies in structures, and improves comparability among countries.

6.(11) Consequently, the second important aggregate “Actual final consumption of households” is measured by the value of all the individual consumption goods and services acquired by resident households, which are:

- those acquired through direct expenditure by the households themselves or imputed to them (consumption for own final use or obtained from other

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9 SNA.93 § 9.94.
institutional units as transfers in kind other than social transfers in kind): it is called household final consumption expenditure;

- those acquired as social transfers in kind from Non Profit Institutions Serving Households (NPISH);
- those acquired as social transfers in kind from General Government.

6.(12) Figure II.1 summarizes these relationships among the consumption terms.

**Figure II.1 The components of household actual final consumption**

- **Barter transactions**
- **Production for own final use**
- **Counterpart of income in kind**

  **Household final consumption expenditure in cash**

  **Household final consumption expenditure (total)**

  **Household actual final consumption**

  - **Social security benefits in kind**
  - **Social insurance assistance benefits in kind**
  - **Social transfers in kind**
  - **Individual non market services**

B.2: Visitor Consumption by Business, Government and NPISH

6.(13) The definition of visitors does not cover only individuals who travel for holidays or personal reasons. It also includes those travelling for business purposes. The consumption of these visitors could be paid by either businesses, by government or by NPISH. Consequently, the consumption of these visitors is within the scope of visitor consumption even though this consumption does not fall within household final/actual consumption expenditure.

6.(14) The intermediate consumption of businesses, governments and NPISH as identified in SNA93, reflects that the consumption is part of the process of producing a good or
service. For governments and NPISH the transactions are recorded differently since by national accounting conventions their output is estimated using the sum of its costs which is then treated as government and NPISH final consumption.

6.(15) In terms of the scope of consumption, the notion of social transfers in kind does not apply to business, government or NPISH consumption so the scope of consumption is not as broad as it is for households. Another difference in scope is that the payment of wages in kind by employers is treated as consumption by households but is not part of intermediate consumption of businesses. Instead this is treated in the employers accounts as compensation of employees.

B.3. The definition and components of visitor consumption

6.(16) The scope of visitor consumption can be determined from these definitions of household actual final consumption, business intermediate consumption and government and NPISH final consumption which are presented in SNA93. Three main points can be noted:

- Visitor consumption will include the consumption of visitors for business, leisure and other purposes.
- Visitor consumption will include individual services produced by governments and NPISH and consumed by visitors.
- Visitor consumption will include consumption in kind of various types.

6.(17) These considerations give rise to visitor consumption as the basic concept of the demand approach, being defined as the total consumption made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination. However, there are a number of issues and clarifications concerning this definition which must be made.

B.3.1 Location of visitor consumption

6.(18) There are differences in the notions of residency which underlie the traditional national accounts categories of consumption and which need to be adjusted to allow for adaptation to tourism. This difference does not change any of the key ideas listed above but does mean that careful delineation of the boundaries of visitor consumption is required because these are not described in SNA93. Issues concerning the location of visitor consumption are dealt with further in section II.B.4.

B.3.2 Tourism business expenses

6.(19) The scope of tourism business expenses needs clarification: it includes those tourism expenses that are classified as intermediate consumption of private businesses, government units and NPISH. Thus, it does not include some other expenses corresponding to employees on business trips paid by businesses such as payments for meals or lump sums allocated to them to cover their other travel costs, that are considered as remuneration in kind or in cash. As a consequence, tourism business expenses do not represent total consumption of visitors on business trips. Nor does it include social transfers in kind provided by government units and NPISH, which by definition are not part of their intermediate consumption.

B.3.3 The scope of tourism consumption products

6.(20) In general, all acquisitions of goods and services by or on behalf of a visitor that SNA93 would consider as part of his/her actual consumption are included within the
boundary of visitor consumption. No consumption good or service is excluded by its nature. Thus at the first level of determining the product scope no transaction is excluded. However, some limitation on this range is required. This may be done by either limiting the range of products and transactions directly or by limiting the range of transactions to a certain category of transactors.

6.(21) The first general rule is that if a product is acquired by a visitor on a trip or trips, or in preparation for a trip, it is included. Further details on the timing of purchases and the scope of products in relation to a trip are presented in section B.3.5.

6.(22) Two general clarifications are important. First, there are payments related to a trip that visitors might make which are excluded from visitor consumption by SNA93 conventions. These are those which do not correspond to the purchase of consumption goods and services, such as:

- the payment of taxes and duties not levied on products;
- the payment of interest (net of FISIM corresponding to the visitor) \(^{10}\), including those on expenditure made during and for trips;
- the purchase of financial and of non financial assets, including land, works of arts and other valuables;
- all transfer payments in cash such as donations to charities or to other individuals and which do not correspond to the payment for goods or services.

6.(23) Second, any purchases on a trip for commercial purposes, that is, for resale or use in a production process or on behalf of his/her employer by a visitor on a business trip are excluded. (These are either intermediate consumption or gross fixed capital formation of the producing unit).

B.3.4 Consumer durables

6.(24) Perhaps most delicate is the treatment of consumer durable goods defined as “goods which may be used for purpose of consumption repeatedly or continuously over a period of more than a year, assuming a normal or average rate of physical use”. \(^{11}\) These goods require a specific treatment within this proposal, because they can be purchased at any time, during trips, for trips, after a trip or outside the context of trips, and often have multiple uses.

6.(25) In TSA, two different categories of consumer durable goods are considered:

- Tourism single purpose consumer durable goods, which are those goods, the use of which can be considered as almost exclusively on trips, such as luggage, camping equipment (tents, sleeping bags, trailers), skiing and diving equipment, etc.
- Multipurpose consumer durable goods, which are those partially used on trips, but also partially used within the usual environment, such as cars and cameras.

\(^{10}\) Financial Intermediation Services Indirectly Measured (FISIM) refer to those services provided by financial intermediaries for which they do not charge explicitly, but only implicitly through the difference in interest rates charged to borrowers and to lenders. SNA93 recommends to allocate the total output of this activity as consumption among the various recipients or users of the services for which no explicit charges are made: this can be the case of visitors. See SNA93 ¶¶ 6.124 to 6.131.

\(^{11}\) SNA93 ¶9.38.
6.(26) While a very precise definition of these consumer durables is not made in this proposal it may be reasonable for the purposes of international comparison that a list of relevant consumer durables is established. However, a list is not proposed here.

6.(27) Consumer durable goods will have a different treatment according to the following convention:

- All tourism single purpose consumer durable goods will be included whether purchased during a trip, before a trip, after a trip or outside the context of a specific trip.
- Multi-purpose consumer durables will only be included if purchased during a trip.

6.(28) Two additional comments with respect to consumer durables need to be made:

- In the case of any consumer durable item which is purchased on a trip but then sold at the conclusion of the trip (e.g. a car), the value to be considered within visitor consumption is the difference between the original purchase price and the price received upon re-sale by the visitor; no allocation is made for costs of use. (No purchases for commercial purposes are considered for such treatment.)
- Since some consumer durables purchased during a trip may be of high unit value (e.g. cars, boats) some countries may find it useful to identify these items and conduct analysis both including and excluding them. However, for the purposes of international comparison all purchases during a trip should be included in visitor consumption.

B.3.5 Timing of purchases

6.(29) As noted in the treatment of consumer durables the timing of purchase can be a significant issue. The following represents the boundary of visitor consumption from a time perspective:

- During the trip
  - All consumption regardless of the nature of the good or service as long as it is a product that SNA93 considers part of household actual final consumption.
  - This includes all consumer durables purchased on a trip (excluding those for commercial purposes).
  - This includes tourism business expenses since the product range is the same for this group of expenses.

- Before a trip
  - All consumption on services made before a trip and clearly related to the trip (e.g. inoculations, passports, medical control)
  - All consumption on goods of small value purchased before the trip that are intended for use on the trip or are brought along as gifts
  - All purchases of tourism single purpose consumer durables

- After a trip
  - All consumption on goods and services purchased after the trip and clearly related to the trip (e.g. photograph development)

- Outside the context of a specific trip
  - All purchases of tourism single purpose consumer durables.
6.(30) In the discussion on household final consumption it was observed that the new national accounting standards had developed a notion of consumption of individual non-market services provided by government units or NPISH. The consumption of these services may be acquired by visitors and hence the social transfers in kind between government units and NPISH which are used to record this consumption are considered part of visitor consumption. Examples of these individual non-market services include health services provided to visitors (e.g. spas) and activities such as museums where the total cost may not be fully attributed to individual visitors. (Note that any explicit charges for museums and the like are included in visitor consumption in cash.) The key characteristic in identifying the services to be included in this category of consumption is that there is a clear link between the visitor and the provider of the service. It is noted that there may be some difficult measurement issues to overcome in estimating this part of visitor consumption.

6.(31) As indicated in previous paragraphs, visitor consumption exceeds visitor purchases on a trip. It encompasses these purchases as well as all expenditure on goods and services by all other institutional units on behalf of visitors. If cash or financial assets are transferred to the visitor to finance his/her trip, the purchases funded by these are included in visitor consumption. Along with this are all forms of transfers in kind and other transactions benefiting visitors where it is not cash or financial assets which is provided to the visitors but the goods and services themselves - thus the consumption of individual non-market services is included. Essentially all transactions where there is a direct link between the visitor and the producer/provider of the good or service are within scope.

6.(32) Following the definition of household actual final consumption in SNA93 and the consideration required of tourism business expenses, visitor consumption can be represented schematically as in Figure II.2. The diagram is intended to explain the scope of visitor consumption and to show the links to the national accounts concepts developed earlier in the chapter. In particular, the terminology used has been chosen to reflect the national accounts terms used in Figure II.1.

6.(33) Tourism business expenses are included in the figure so that the complete scope is considered. This item only covers the consumption of visitors on business trips which are considered as intermediate consumption of the corresponding business. Other expenditure made by visitors on business trips may correspond to any other category considered in the figure.

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12 These are other households, resident producing units, general government units, NPISH and non-resident units.
Figure II.2. The components of visitor consumption

Visitor final consumption expenditure in cash (1)

Visitor barter transactions

Visitor production for own final use

Visitor final consumption expenditure in kind

Counterpart of income in kind

Tourism social security benefits in kind (2)

Tourism social assistance benefits in kind (2)

Individual non market tourism services

Tourism business expenses (4)

Visitor final consumption expenditure (total)

Visitor actual final consumption

Tourism social transfers in kind

Visitor consumption (5)

(1) This always represents the most important component of total consumption of, or on behalf of, visitors. It covers what is usually meant by “visitor expenditure”, but SNA93 obliges to use more precisely defined terms. The term “in cash” does not necessarily mean a disbursement of “cash” but refers to all visitors final consumption expenditure which are not in kind.

(2) The term “tourism” refers to those transfers for tourism purposes addressed to potential visitors.

(3) The area in grey represents the part of total consumption of or on behalf of visitors which corresponds strictly to the transposition of SNA93 concept of household actual final consumption to visitors (both residents and non residents).

(4) Includes the expenditure on transport and accommodation of employees on business trips and those made by business, government and NPISH on behalf of guests outside their usual environment.

(5) Visitor consumption refers to total consumption of or on behalf of visitors and could, consequently, also be termed as “visitor demand”.

7. **The venue of visitor consumption**

Revised paragraphs 2.57 - 2.61

7.(1) Domestic tourism consumption is the consumption of resident visitors within their country of reference. The final destination of the visitor might be within or outside the country of reference but the consumption activity that is referred to has to take place within this country of reference. It might include goods or services produced abroad or by non-residents but sold within the country of reference (imported goods and services). Note that this definition is broader than the common understanding of the term “domestic” within tourism statistics (involving residents of the country of reference travelling and remaining within the country) and as defined here domestic tourism consumption includes what was traditionally identified as the domestic portion of outbound tourism consumption.

7.(2) Inbound tourism consumption is the consumption of non resident visitors within the economic territory of the country of reference. Purchases which took place in other countries are excluded. The goods and services purchased in the country may have been imported.

7.(3) Outbound tourism consumption is the consumption of resident visitors outside the economic territory of the country of reference. The total will mainly consist of production by non-residents but may include exports by resident providers, and provided by non residents. It does not include those goods and services acquired for or after the trip within the country of reference. Note that this definition is narrower than the common understanding of the term “outbound” within tourism statistics (involving residents of the country of reference travelling to another country) and as defined here outbound tourism consumption excludes what was traditionally identified as the domestic portion of outbound tourism consumption.

7.(4) Internal tourism consumption comprises all consumption of visitors both resident and non-resident within the economic territory of the country of reference. It is the sum of domestic tourism consumption and inbound tourism consumption. It might include goods and services imported into the country of reference and sold to visitors. This aggregate provides the most extensive measurement of visitor consumption in the country of reference, covering the totality of the components indicated in Figure II.2.

7.(5) National tourism consumption comprises all consumption of resident visitors within and outside the economic territory of the country of reference. It is the sum of domestic tourism consumption and outbound tourism consumption. These purchases may include domestically produced goods and services and goods and services imported from non-resident producers.

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13 It is also noted that the use of the term domestic is different from its use within national accounts.
14 Those acquired through travel agencies and tour operators will be given a special treatment which shall be explained in ¶4.14 and ¶4.16.
15 Those acquired through travel agencies and tour operators will be given a special treatment which shall be explained in ¶4.14 and ¶4.16.
8. **Services within the household**

Revised paragraphs 2.65, 2.67, 3.34, 3.35

8.(1) Regarding the services (except for housing services) rendered by one household to the visiting members of another household free of charge, in accordance with SNA93 and Balance of payments principles, no imputed service is recorded. However, the increase in the consumption of the household due to the purchase of goods required to provide these services is recorded as transfer in kind, and hence as consumption of the visitor.

8.(2) This recommendation not only applies to the main housing unit of a household, but to all housing units owned by households: thus, it also applies to second homes, and particularly, in the case of the TSA, to those used for tourism purposes on own account or provided free of charge to visitors. A housing service has to be imputed, both as a production activity for the owner, and as consumption of the visitor, if he receives this service from another household free of charge. Therefore the services are part of tourism supply and of visitor consumption. Note however the need for the consumption of these services to take place outside the usual environment as defined in section A.1.2. Consistent with this it is noted that own production of housing services by the primary home provided to visitors are excluded from visitor consumption.

8.(3) No specific product exists within the SNA93 production boundary and therefore there is no impact on tourism supply to be considered.

8.(4) In SNA93 a housing service on own account is associated with the ownership of a dwelling occupied by its owner both as a production activity, and as the production and consumption of a specific service. It was noted in chapter II that this situation covered both primary and second homes, and particularly, second homes owned mainly for tourism purposes.

9. **Tourism collective consumption**

Revised paragraphs 2.73 - 2.75

9.(1) In the case of tourism, when considering the definition of household final consumption, it was observed that government units provide two types of non-market services: individual and collective. The definition of visitor consumption includes the individual services provided to visitors. Collective services refer to the provision of legislation and regulation regarding tourism, to the promotion of tourism by a government unit, to the maintenance of order and security, and to the maintenance of public space to name a few.

9.(2) SNA93 does not assign the value of collective services to household consumption but creates a specific category, that of collective consumption expenditure of general government.\(^{16}\)

9.(3) In this proposal, tourism collective consumption is considered within a broader notion of tourism demand although, for the time being, the approach to this component will only have an experimental character due to the lack of experience in this field. As a consequence, the estimate of this aggregate should not be used, for the time being, for international comparisons.

\(^{16}\) SNA93, §9.75
10. **Tourism gross fixed capital formation**

Revised paragraphs 2.77 - 2.79

10.(1) The analysis of gross fixed capital formation, and more generally the net acquisition of tangible non-financial assets, is particularly important for tourism because the existence of a basic infrastructure in terms of transport, accommodation, recreation, centers of interest, etc., determines to a large extent visitor flows.

10.(2) However, there are a number of different perspectives to tourism GFCF which can be adopted. First, it is possible to look at the GFCF of the tourism industries (as defined in chapter 3). Alternatively it is possible to consider the GFCF on specific tourism capital goods which are directly linked to the provision of services to visitors. Finally, it is possible to consider the proportion of total GFCF which is required to provide goods and services to visitors. Combinations of these views may also be possible as well as consideration of public GFCF.

10.(3) At this stage the most straightforward perspective is the first one mentioned - the GFCF of tourism industries. However until more discussion and research is carried out no specific aggregate is proposed for the purposes of international comparison. Any of the aggregates noted above may be of interest to countries in compiling their TSAs. Notwithstanding these measurement difficulties, the concept of tourism gross fixed capital formation is considered within a broader notion of tourism demand.

11. **The definition of characteristic products and industries**

Revised section 3.11 - 3.22

11.(1) This issue is recognized by SNA93 which recommends starting the development of a functionally oriented satellite account by “analysing the structure of expenditure by product and looking at what activities deliver these goods and services”. SNA93 also suggests a series of steps in the identification of different groups of products.

“The first step is to define the goods and services that are considered specific to this field. It is convenient to distinguish two types of goods and services in this context: characteristic goods and services and connected goods and services. The first category covers the products that are typical for the field under study… The second category, connected goods and services, includes products in whose uses we are interested because they are clearly covered by the concept of expenditure in a given field, without being typical, either by nature or because they are classified in broader categories of products… The precise borderline between characteristic and connected products depends on the economic organization in a given country and the purpose of a satellite account.”

The adaptation of these steps to tourism is discussed in the following paragraphs.

11.(2) For the purpose of this proposal, the issue of classification has to be considered from two different points of view, which complement each other, which are: the adaptation to the specific needs and the statistical infrastructure of the country of reference, and international comparability.

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17 SNA93, ¶21.16
18 SNA93, ¶¶21.61-62
11.(3) If the focus was strictly on the adaptation of the classification to the needs and possibilities in each specific case, this proposal could just provide an empirical list of products\textsuperscript{19}, from which each compiler would extract those which, from his viewpoint, would better encompass and characterize most of tourism activity, both from a supply as from a demand perspective.

11.(4) However, international organizations are also concerned by their institutional responsibility and function, and thus aim at providing a basis for international comparison.

11.(5) With the view of combining the two objectives of international comparability on a core of tourism goods and services and productive activities on the one hand, and of the consideration of the special needs, technical capability and statistical development of compilers on the other the following proposal is made:

11.(6) First, from the perspective of the publication of TSA results by international organizations it is understood that, on a worldwide basis, international comparability will only be achieved on the basis of a fixed list of products. Such a list is designated in this proposal as the list of tourism characteristic products (TSA/TCP) \textsuperscript{20}. This list would be updated periodically. Broader or more detailed lists might be established by individual organisations (OECD, EUROSTAT and others), for appropriate comparability among their member countries, provided correspondence is maintained between these lists and the basic classifications.

11.(7) Second, any country or compiler wishing to develop its own list of products should select those products from the provisional list of Tourism Specific Products (TSP). This may entail expanding the list of the above-mentioned tourism characteristic products (TSA/TCP) to a broader one, designated as an ad hoc list of tourism specific products. Such a list could respond to both objectives: international comparability, on the subset of tourism characteristic products, and specific needs on the total of tourism specific products in a given country.

11.(8) Therefore from the point of view of an individual country and in terms of general analysis it is the list of tourism specific products which is deemed of more relevance and importance. However, for the purpose of deriving a complete presentation of the different categories of products a term is required to define those products which are deemed specific but are not within the above-mentioned list of tourism characteristic products (TSA/TCP). In this proposal the term tourism connected products is used although it is to be noted that the term “connected” is used differently from the use of the term in SNA93.\textsuperscript{21}

11.(9) Regarding the criteria by which these categories may be distinguished: the identification of the products considered as tourism characteristic, tourism connected and tourism specific follows roughly these pragmatic criteria:

- Tourism characteristic products: those which, in most countries, it is considered would cease to exist in meaningful quantity or those for which the level of consumption would be significantly reduced in the absence of visitors, and for which statistical information seems possible to obtain.

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\textsuperscript{19} This list, the TSP, is proposed in TSA §3.16.

\textsuperscript{20} See TSA §§3.18 to 3.20.

\textsuperscript{21} See SNA Ch 21.61-62
Tourism connected products: a residual category including those that have been identified as tourism specific in a given country, but for which this attribute has not been acknowledged on a world wide basis.

Tourism specific products: the sum of the two previous categories.

11.(10) Schematically, the universe of all goods and services is partitioned in the following way.

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All goods and services
  ↓
Specific goods and services
  ↓
Characteristic goods and services
  ↓
Connected goods and services
  ↓
Non specific goods and services
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11.(11) To aid in the establishment of product lists, the WTO has developed a provisional list of Tourism Specific products (TSP). This list has been established empirically, using previously existing national and institutional lists and the specific knowledge of researchers, and applying for inclusion, in a loose way the following criteria:

- those the supply of which would cease to exist in meaningful quantity in the absence of visitors;
- those which represent a significant share of tourism consumption;
- those in whose absence, tourism consumption might be significantly affected.

11.(12) The present list is provisional and will be updated periodically when more experience is gathered on TSAs and on other functionally oriented Satellite Accounts in other areas such as health and education.

11.(13) Tourism characteristic products are a sub-set of the list of Tourism Specific Products. In order to achieve international comparability, it would seem legitimate to use a high degree of disaggregation of products, so that the characteristicity of a product could be more easily identified. However, this possibility is limited by the high degree of aggregation in which most countries obtain their information (in most of the cases, this degree does not exceed the 4 digit level of CPC version 1.0). As a consequence, the proposed list of tourism characteristic products, for the time being, presents a high level of aggregation.

11.(14) Conceptually, the list of Tourism Characteristic Products (TSA/TCP) proposed could include both goods and services. However, for the time being, the list of Tourism Characteristic Products concentrates on services which have been traditionally considered as tourism services, as they respond to the more general needs and wants of visitors as can be: accommodation, food and beverage serving services,

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22 CPC: Central Product Classification, (CPC ver 1.0) of United Nations, 1998
23 It appears in Chapter IV A.3. “Classifications used” and has its application in tables 1 to 7.
long distance transportation and the associated services (including car rentals); travel arranger services, tourism guides and cultural and recreation services. This restriction responds to two main reasons:

- the first relates to the great differences within the goods purchased by visitors among countries and places visited;
- the second refers to the fact that the basic statistical information to be used to fill up the tables comes from the visitors themselves: nevertheless, it has been observed that, in most cases, the use of this type of statistical source, makes it difficult to go beyond the broad concepts of “shopping” or “souvenirs”.

12. Treatment of goods

Revised paragraphs 3.54 - 3.59

12.(1) As a consequence, the total purchaser’s price of goods are part of visitor consumption. This is the full price paid by the visitor or others on his behalf, for the purchase.

12.(2) In most cases, the producers of the goods are neither those who sell their production to final consumer, nor those who finally serve them: there exists a chain of transport providers, wholesale traders, and finally retailers who sells the product to a visitor. The product might have been produced in a nearby location, or in a different economy.

12.(3) The whole chain participates in the supply of the product to the visitor, from the producer of the good, those who transport it, those who trade it in different forms, and finally, the last link of the chain, the retailer, who sells the good to the visitor. The producer is usually totally unaware of whom the final purchaser is.

12.(4) Importantly, the use of the purchaser’s value of the goods should allow the decomposition of the tourism supply between the basic value of the good and the corresponding margins. Ideally information should be available to be able to make the complete decomposition and thus the measurement of tourism supply with respect to goods should not be limited by data considerations. It may be the case that a breakdown of different margins is not available. Treatment in such situations would need to be considered based on examination of the data issues concerned.

12.(5) The valuation scheme used in the proposed tables corresponds to a coherent scheme where the value of the products and the corresponding distribution margins are clearly explained. The tables use the same basis of recording as the national accounts and therefore various aggregate measures can be defined consistent with the principles used in the national accounts.

12.(6) Overall, the treatment of goods within tourism supply is complicated by trying to decide whether all of the output of the various producers involved in getting the good to sale should be included or only the output of the producer with whom the visitor has direct contact, i.e. the retailer. The case is by no means clear in either direction since one can imagine different approaches being ideal for different goods depending on the purpose of the analysis. It may be that for analytical purposes a country chooses one method or another to reflect the level of tourism supply.

12.(7) Without a common position in this area it is stated in this proposal that international intergovernmental organisations (such as WTO, OECD and Eurostat) will continue the task of defining appropriate criteria of valuation to analyse the economic impacts
of tourism and defining appropriate standards for the presentation and international comparison of results. The experience of countries in the development and use of their TSAs in the future will provide important input to this task.

13. **Tourism employment**

Revised 3.69

13.(1) This underlines the importance of measuring employment by a variety of indicators which complement each other and may not have general application in the economy. These include: employment, jobs, full-time equivalent employment, and total hours worked. Complementarity and consistency between measures of compensation of employees and the measures of employment is also an important consideration. In order to extend analysis in this important area of tourism statistics the OECD has developed an employment module for TSAs and a more complete description of this module is contained in Annex 3 of this document.

New Annex

Annex 3: OECD Employment module

**Introduction**

13.(A1) The OECD Employment module presents a conceptual and methodological framework with a set of key employment variables. The work highlights the importance of employment and human resource issues for the tourism-related industries and, therefore, the need to dispose of comprehensive and reliable employment data for both public and private users. The guidelines are consistent with the concepts and definitions followed in other areas of socio-economic and tourism statistics, notably the System of National Account 1993, the ILO standards, the 1994 UN/WTO definitions on tourism statistics and the 1999 OECD guidelines on Tourism Satellite Accounts. The methodology is intended to be simple and flexible for adoption and adaptation.

**Objectives**

13.(A2) The primary objective of the OECD Employment module is to provide a statistical framework and methodological guidelines to establish the level and some characteristics of employment in the tourism industry. This is mainly done from a supply-side perspective. In other words, only the employment in a set of selected characteristic tourism industries is taken into account. Even if the OECD Employment module is closely linked to Tourism Satellite Accounts, it should also stand on its own, that is, employment should not be seen only as a factor in the production process (TSA), but also as a social phenomenon. Such a broader view on employment does not fit the core tables of the TSA.

13.(A3) One objective is that application of this methodology may improve international comparability of statistics on employment in the tourism industry. This will not be an easy task, because comparability of data on employment in general is already hampered by differences in methods and definitions between countries. Even on a national level, employment statistics and data-sources often provide different and fragmented results.

**The conceptual framework**

13.(A4) The *OECD Guidelines for a Tourism Satellite Account: Employment Module* establish a process that links basic employment data with the Tourism Satellite

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25 SNA93, ¶17.4 - 17.18
Account, by using the employment module as an integration framework (micro-macro linkage). This process uses indicators of the general level of tourism-related employment, like jobs, persons employed or full-time equivalents - with a further distinction for seasonal employment and ‘jobs on the side’ - and key employment variable, like gender, age, education level, nationality, status in employment, working scheme, average seniority, average hours of work, average gross earnings, permanency of jobs or irregular working hours. By analysing the input-output accounts of the Tourism Satellite Account, demand and supply of tourism are connected. This results in a selection of tourism-related industries, seen from a supply-side. Such a framework provides possibilities for statistical integration and co-ordination.

The way forward

13. (A5) The employment module can improve national and international comparability of tourism-related employment data considerably. It can function as a benchmark against which other employment data can be set, leading to a better overall picture and increased comparability. However, the connection between the employment module and TSA should not be seen as the only and perfect road. The OECD Employment module also highlights areas where further research could be done. The experience of countries in implementing the employment module and the co-operative work currently being developed between various international organisations should be helpful in clarifying some of these issues.

14. Valuation and time of recording

New paragraphs after 4.8

14(1) The valuation principles that should be employed are essentially the same as those advocated in SNA93, that is, production should be valued at basic values and use at purchasers’ prices. As far as time of recording is concerned, the TSA operates on the same basis as SNA93, that is, on an accruals basis, not on cash or “due for payments bases”.

14(2) In practice, the valuation and time of recording methods used are likely to be consistent with those used in the general national accounts of the country compiling the TSA. Therefore, depending on individual country practices these methods may not be identical to the recommendations of SNA93 or of this proposal. Consequently, for the purposes of international comparison it is important that the methods of valuation and time of recording are understood by TSA compilers and are reported when disseminating data or methodology.

15. The estimation of tourism value added aggregates

Revised paragraph 4.53

15.(1) The implication of this approach of using various assumptions relating to the production of tourism goods and services is that the results are essentially modeled rather than being directly observed and reconciled with statistical data. This is due to the fact that, as already commented, value added is strictly associated to a production process taken as a whole and not to a specific output.

New paragraph after 4.54

15.(2) Although there are difficulties in establishing the assumptions for the calculation of tourism value added the assumptions for the calculation of TGDP are even more problematic. This is because the difference between TVA and TGDP consists mainly of
taxes and subsidies and appropriate tourism shares for these items are not necessarily as connected to the production of tourism products as is the case with intermediate consumption and output. While the calculation of TGDP is possible it should be noted that there are additional considerations to be taken into account in performing this calculation which make it important that care be taken in its use and interpretation.

New paragraph after 4.83
15.(3) In part the difficulty is that VATI is dependent on the definition of the characteristic industries which could vary across countries. As well, because of differences across countries even using the same range of characteristic industries may not lead to comparable measures of tourism’s impact in different countries.

Revised 4.87, 4.91
15.(4) But TVA would also include additionally the corresponding value added associated with the output of those secondary activities that, although part of visitor consumption is not produced by establishments whose main activity is a tourism characteristic activity. Consequently, TVA can be seen to be independent of the definition of characteristic industries and products. This aids its usefulness as an internationally comparable measure of the economic impact of tourism.

15.(5) It is important to address three issues here:

- The only indicators strictly characterizing tourism supply emerge from TVA and TGDP. VATI is a measure of the supply side of tourism but is not sufficiently well defined in terms of its links to visitor consumption to allow it to be the most accurate measure of tourism supply.
- TVA and TGDP can provide measures of the economic importance of tourism in a country in the same sense as the GDP of any productive activity does. However, they do not refer to tourism as a productive activity comparable to productive activities in SNA93. They are indicators emanating from a reconciliation of tourism consumption and supply, and their values will depend on the scope of measurement of visitor consumption that a country adopts.
- The estimation of TVA and TGDP relies on a number of measurement assumptions. For TVA these assumptions can be determined and applied in a reasonably straightforward manner. However, for TGDP there are significantly more problems in separating out tourism and non-tourism components of the variables concerned and thus additional care must be taken when using or interpreting this aggregate.

16. The use of physical/non-monetary indicators

Revised 4.73
16.(1) SNA93 states explicitly 26, physical indicators are an essential component of Satellite Accounts and in no case should they be viewed as a secondary part of these. However, in the future work will be required to better link the provisional list of non-monetary indicators to the logic underlying the monetary tables. This will assist in the ability to use non-monetary indicators as a key element in tourism analysis.

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26 SNA93 ¶¶ 21.5, 21.113
17. **The definition of total tourism demand**

Revised 4.107 - 4.109

17.(1) Internal tourism consumption is the central aggregate to qualify the size of direct visitor consumption within a country of reference. However, broader notions of tourism demand could be envisaged and thus it may be reasonable to consider that the internal tourism consumption aggregate could validly be complemented with other components of final demand generated by this attention to visitors. However, it is to be understood that the addition of some components of demand should not be considered as synonymous with the aggregation of demand components to form the expenditure based measure of GDP.

17.(2) In this proposal an additional aggregate is suggested called Total tourism demand, which consists of the sum of internal tourism consumption, tourism gross fixed capital formation and tourism collective consumption. It is noted however, that the definition and measurement problems associated with tourism GFCF and tourism collective consumption are by extension equally relevant for total tourism demand and thus its precise definition cannot be made as yet.

17.(3) Therefore, coherent with previous remarks 27, this proposal does not consider the estimation of this aggregate for international comparison until more experience and methodological research, especially regarding tourism GFCF and tourism collective consumption, is undertaken.

18. **Bibliography**

New and revised titles

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27 TSAT¶¶¶ 4.93, 4.101 and 4.106
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