



The Economic Contribution of Tourism to Western Australia in 2005-06

A Tourism Satellite Accounts-Based
Presentation, 30 October 2007

Geoff Carmody
Director, Geoff Carmody & Associates
Co-Founder of, and Consultant to, Access Economics



Scope of Presentation

- What *is* tourism? A conceptual approach & definition
- How can tourism be measured in a way that makes sense to economic and policy analysts? The TSA approach
- Using this approach, what is the economic significance of tourism in Western Australia and its tourism regions?
- How has tourism's economic contribution to Western Australia changed in recent years?
- Q. Commodities boom = tourism doom? A. In your dreams, Hanrahan! Additional A. More tourism *yield*.
- Broader policy implications & further work under way

Some fundamentals:



‘Industry’ is a *supply-side* concept: typically, the focus here is on *what* is being produced, sold, etc.

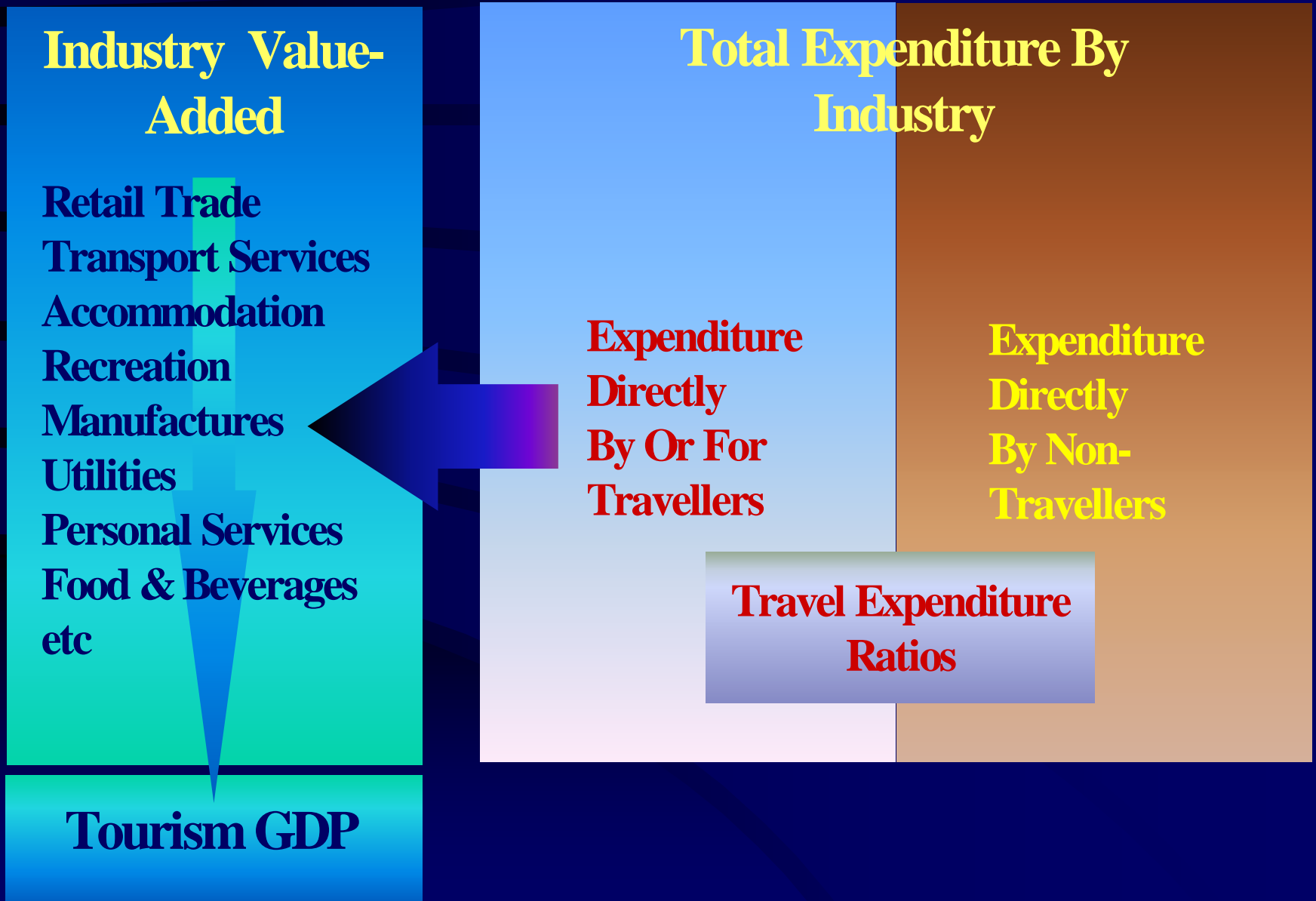
But ‘Tourism’ is a *demand-side* concept: the focus is on *who’s* buying products - the traveller, or visitor. So ‘tourism’ is not *an* industry. But tourism demand affects *every* industry. Enter the ‘satellite accounts’ (TSA) concept.

The Basic Satellite Accounts Recipe:

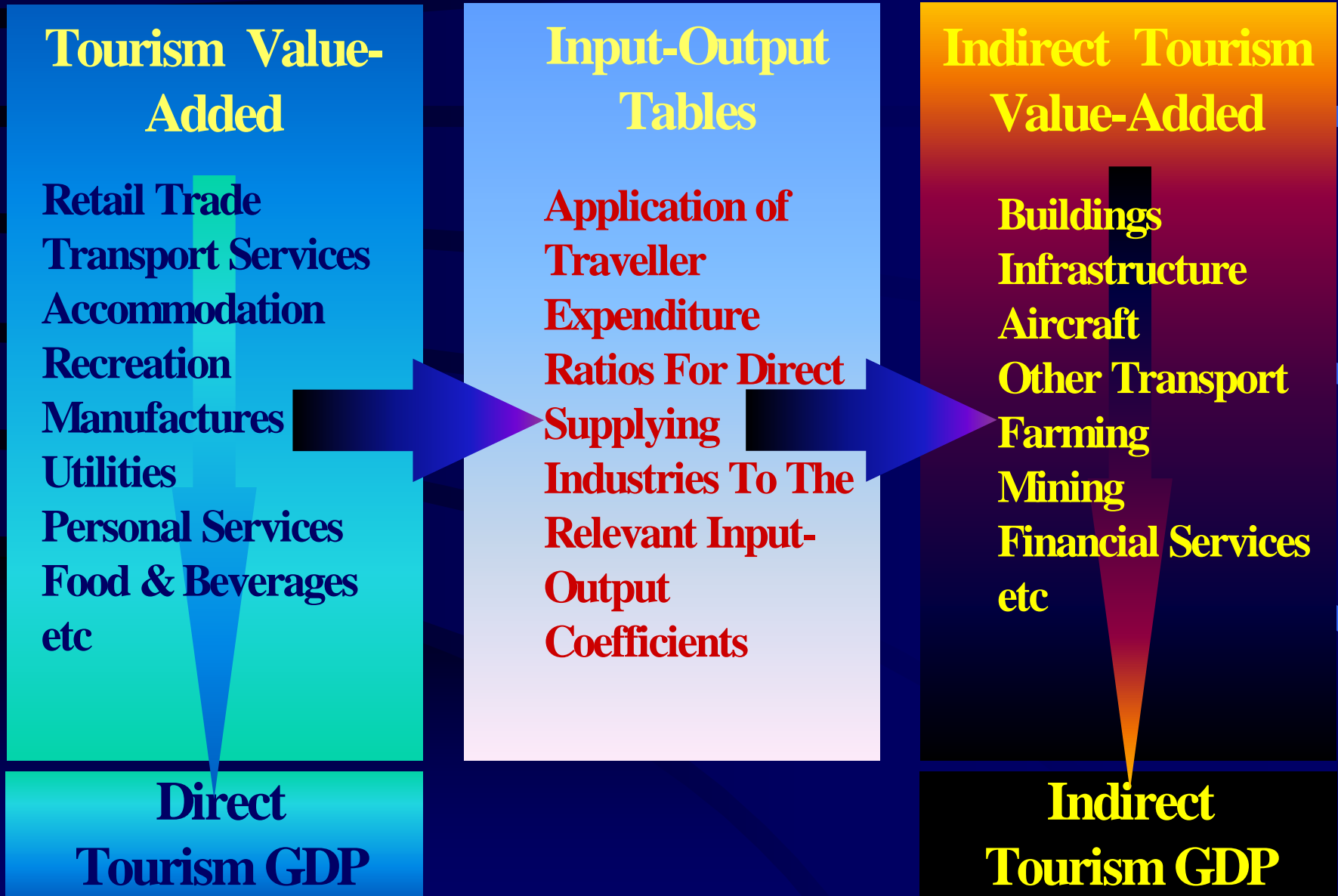


1. Take one well-articulated system of national/state accounts (complying with UN SNA) - like Oz national accounts data.
2. Estimate a set of ratios for each industry's supply, based on travellers' spending as a % of total spending.
3. Apply 2. to 1. You have your tourism satellite accounts.

WA Tourism Satellite Accounts #1



WA Tourism Satellite Accounts #2



Access Economics'
TSA Results for WA, 2005-06

Tourism's Direct Economic Contribution, WA, 2005-06

Measure	Value	Tourism's Of WA economy	share(%) Aust. Tourism % of Australia
Value-added (\$billion)	3.0	2.7	3.5
GSP/GDP Contribution (\$bn)	3.6	3.0	3.9
Employment ('000 persons)	43	4.1	4.6

Tourism's Direct + Indirect Economic Contribution, WA, 2005-06

Measure	Value	Tourism's Of WA economy	share(%) Aust. Tourism % of Australia
Value-added (\$billion)	4.9	4.4	6.6
GSP/GDP Contribution (\$bn)	5.7	4.7	6.9
Employment ('000 persons)	63	6.0	7.5

Tourism Direct Industry Value-added as a share of Total Tourism, WA, 2005-06

	Value added (\$m)	Share of tourism (%)
Transport & storage	717	24
Accommodation, cafes & restaurants	542	18
Retail trade	381	13
Manufacturing	365	12
Ownership of dwellings	209	7
Education	197	7
Health & community services	197	7
Wholesale trade	101	3
Agriculture, forestry & fishing	75	3
Property & business services	63	2
Other	158	4
Total direct tourism value-added	3,005	100

Tourism's Direct Contribution to Industry Value-Added, WA, 2005-06

	Value added (\$m)	Industry % of total VA
Transport & storage	717	3.4
Accommodation, cafes & restaurants	542	0.9
Retail trade	381	4.5
Manufacturing	365	7.5
Ownership of dwellings	209	5.8
Education	197	2.8
Health & community services	197	5.2
Wholesale trade	101	3.6
Agriculture, forestry & fishing	75	3.3
Property & business services	63	10.4
Other	158	0.3
Total direct tourism industry	3,005	2.7

Industry Reliance on Tourism, WA, 2005-06

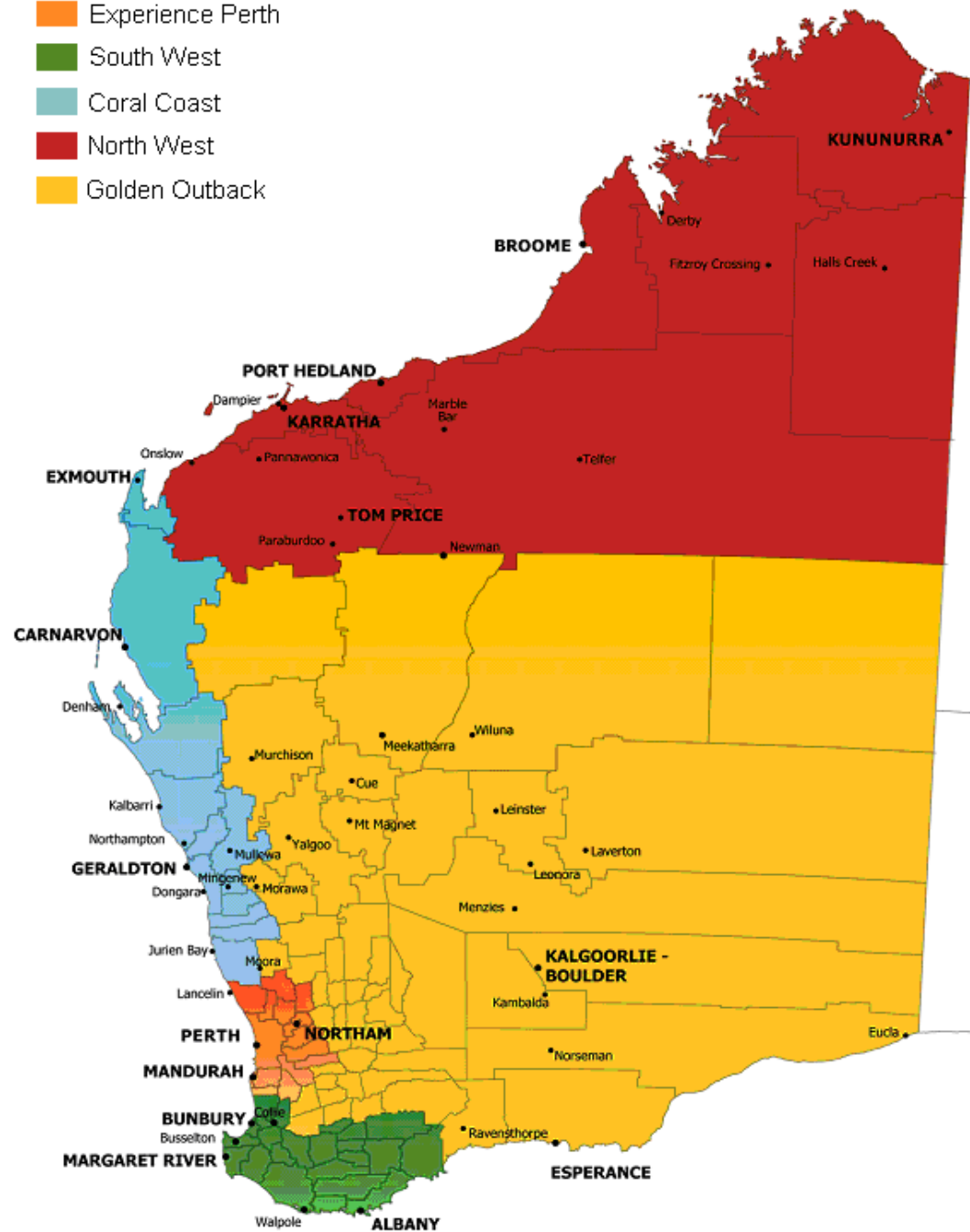
	Value added (\$m)	Industry reliance %
Transport & storage	717	21
Accommodation, cafes & restaurants	542	35
Retail trade	381	9
Manufacturing	365	4
Ownership of dwellings	209	4
Education	197	6
Health & community services	197	5
Wholesale trade	101	3
Agriculture, forestry & fishing	75	2
Property & business services	63	1
Other	158	<1
Total direct tourism industry	3,005	2.7

Tourism's Direct Contribution to Employment, WA, 2005-06

	Persons ('000)	Share tourism emp.
Transport & storage	7.1	16
Accommodation, cafes & restaurants	11.1	26
Retail trade	10.3	24
Manufacturing	4.2	10
Ownership of dwellings	0	0
Education	2.9	7
Health & community services	3.7	8
Wholesale trade	0.8	2
Agriculture, forestry & fishing	0.8	2
Property & business services	0.5	1
Other	1.9	4
Total direct tourism employment	43.3	100

WA Tourism Zones

- Experience Perth
- South West
- Coral Coast
- North West
- Golden Outback



WA Tourism Zones, Direct Economic Contributions, WA, 2005-06

WA tourism zones	Value Added	Employment
	\$ million	%
		(‘000 per)
		%
Experience Perth	1,999	67
Australia's South West	439	15
Australia's North West	274	9
Australia's Coral Coast	158	5
Australia's Golden Outback	137	5
Total WA	3,005	100

Tourism's Contribution to State Production Taxes, WA, 2005-06

	Revenue (\$m)	% of WA state taxes
Transport & storage	31	13
Accommodation, cafes & restaurants	15	28
Retail trade	19	7
Manufacturing	19	4
Ownership of dwellings	15	3
Education	4	5
Health & community services	5	3
Wholesale trade	5	2
Agriculture, forestry & fishing	2	2
Property & business services	1	0
Other	7	0
Total tourism taxes on production	123	4

Tourism's Contribution to State Taxes, WA, 2005-06

	Tourism state taxes (\$m)	Tourism tax share (%)
Taxes on production	123	3.6
Stamp duties on conveyances	108	4.8
Taxes on consumption	12	2.4
Total state taxes	243	4.0

Comparing Direct Results for 2005-06 with Revised Direct Results for 2001-02

Measure	2001-02	2005-06	2001-02	2005-06
	Value	Value	Share (%)	Share (%)
Value-added (\$million)	2,329	3,005	3.2	2.7
GSP Contribution (\$m)	2,812	3,620	3.6	3.0
Employment ('000 persons)	44	43	4.7	4.1

Commodities boom = tourism doom? #1

- WA is garnering the main benefits from the commodities boom centred on China's (and others') expansion
- It is also drawing resources - labour & capital - away from other states and from non-resource industries
- This is pressuring primary resource prices - upwards pressure on wages, inflation, interest rates, and \$A
- Non-commodity industry costs, for farming, manufacturing and the service industries, are rising
- This 'crowding-out' problem is not new. It was called the 'Dutch Disease' when the Netherlands struck oil/gas. In Australia, Bob Gregory applied the same logic to develop the 'Gregory Thesis' during the 1970s commodities boom
- But this time - driven by the BRICs - it might well last longer
- Is this bad for tourism, and for WA?

Commodities boom = tourism doom? #2

- On balance, I suggest that the answer is 'NO'. Why?
- The commodities boom is a reflection of strong global economic growth. All of the empirical evidence suggests that this is the strongest driver of global tourism demand. This is good for world - and Oz, and WA - tourism
- Of course, the commodities boom also plays a role in driving up costs: wages, prices, interest rates and the \$A
- This shifts tourism demand *shares* away from Oz - and WA
- But consider the alternative: no commodities boom. Overall, WA would *clearly* be worse off. And world tourism demand would be weaker
- Sure, Australia and WA would be more cost-competitive, but we'd be fighting over shares of a much smaller tourism 'cake'
- The boom is driving increased tourism yields - the key goal