

PRESS RELEASE - Ministry of Tourism

Tourism Satellite Account – Fiji Islands

Fiji had reached another milestone when it released its first official Tourism Satellite Account. The release is the result of the pilot project TSA95 which highlights the size and structural components of Fiji's Tourism industry for the year 1995. It has come a long way from being mooted at the Fiji Tourism Forum in 1999 to being formulated as the tourism sector policy objective of economic contribution and the retention of the tourist dollar in the National Strategic Development Plan 2003-2005. In recognizing the significance of this industry, Government committed nearly \$750,000 for the last three (3) years for the development of Fiji's Tourism Satellite Account to report on activity generated by tourism.

TSA has also become an integral part of planning sustainable tourism development as it addresses issues such as participation of resource owners, need for investment and the emergence of new markets and new products in the tourism sector. The Fiji Tourism Satellite Account has brought together all the diverse aspects of tourism by providing a tourism dimension to the framework of the System of National Accounts which makes it possible to separate and examine the demand and supply sides of tourism within this integrated system. It also accounts for the substantial spin-offs to the other economic sectors including agriculture, construction, transport and telecommunications industries.

The development of TSA has been greatly influenced by the recognition that its implementation will serve to:

- Increase and improve knowledge of tourism's importance relative to overall economic activity in the country;
- Provide an instrument for designing more efficient policies relating to tourism and its employment aspects; and
- Create awareness among the various players directly and indirectly involved with tourism of the economic importance of this activity; and by extension of its role in all the industries involved in the production of goods and services demanded by the visitors.

Direct Impacts of Tourism

TSA focuses greatly on the Direct Impacts of Tourism particularly the Direct Tourism Demand, Direct Employment in Tourism. Compensation of Tourism employees, Gross fixed capital formation and the total net capital stock as well as the Import Leakage. It also covers the Multiplier effects of tourism spending in the Fiji Islands.

The direct tourism demand is composed of four (4) tourist types; household tourists, government travelers, business travelers and international visitors. Findings on the expenditure for the year indicated that the largest contributor to direct tourism demand was international visitors with \$571 million (64%) followed by household demand with \$198 millions (22%). Government and business components together contributed \$126 millions (14%) of total demand.

Survey indicated that air transport and accommodation services were two (2) very critical products in terms of tourist demand which accounted for approximately 51% of total demand i.e. 29% demand for air transport and 22% for accommodation. Other important products include sports & recreation and souvenirs and handicrafts which contribute to about 15% out of the total expenditure.

It was noted that international visitors had mainly used foreign airlines which has made their expenditure on air travel secondary to accommodation expenses. Researchers indicate that government and business travelers had used air travel as an important mode of their domestic travel while households relied on land transport. The main products that had been consumed by tourists include air transport (98%), accommodation services (96%), water transport (90%), retail sales-souvenirs and handicrafts (85%), sports, recreation and other activities (82%), motor vehicle hire/rental (81%) and travel agency services (80%). Tourism industry contribution alone was greater than three other main economic sectors, i.e. total contribution of mining and quarrying, electricity and water, building and construction was only 10% of total GDP. The greatest contribution to tourism value added was by hotels and other lodging places (24%) followed by air transport industry (14%).

The employment in tourism is classified into salary earners and wage earners whereby on average, the majority of tourism employees (65%) were wage earners. The main source of employment in tourism was hotels and other lodging places (31% of total tourism employment) while cafes & restaurants with the air transport industry had employed 7% and 6% of total tourism employment respectively. There were more males employed in the transport industry (water, air, land transport and other services to transport) while the other industries such as hotels, cafes & restaurants and recreational industries tend to employ more females in 1995.

Compensation of tourism is an indication of the income received by households by supplying labour inputs to the operation of the tourism industry. The total compensation of tourism employees had been \$131 million which was 11% of the national total. The highest net capital stock was found in hotels and other lodging industry with \$288 million worth of net capital stock. The hotels and other lodging places also recorded the highest gross fixed capital formation with \$18 million worth of new addition to capital stock.

Import Leakage is also very critical in the assessment of the status of the Tourism industry for 1995. This indicated that the supply of tourism products requires three (3) types of imports: (i) final goods and services, or directly consumable items such as

foreign liquor, cigarettes, film rolls; (ii) intermediate inputs or raw materials such as flour, meat, fuel; and (iii) capital goods and services such as machinery and equipment, busses and coaches. The total imports of goods and services purchased directly by tourists in 1995 was \$122million which is approximately 20% (Import leakage) of the total foreign exchange earnings.

Multiplier Analysis

TSA apart from measuring the direct effect of the initial spending by tourists is also responsible for assessing the initial spending which leads to several rounds of spending known as backward linkages or indirect impacts. The indirect and induces effects are called multiplier effects since it covers all effects initiated by the first round of spending by tourists.

Type I multiplier takes into account the direct and indirect effects while Type II multiplier is able to capture, in addition to direct and indirect impacts, the effects of incomes received by employees in the tourism industries which are known as induced effects. TSA used three types of multipliers namely output multipliers, employment multipliers and income multipliers. Tourism output multiplier (Type 1) applied to total tourism industries was 1.7 which means that each additional one dollar spending on tourism products created \$1.7 worth of output in all industries. When we consider the induced effects, it has created \$2,299 million worth of output.

In relation to the Employment effects, one additional employee in the tourism sector led to the creation of 1.95 of employment in the Fiji Islands. The direct and indirect employment opportunities created was 23,790 and when induced effects are taken into account, total employment created due to tourism in the Fiji Islands was 31,110.

The 1995 statistics indicated that an income of one dollar from employment in the tourism industry could create \$1.89 income throughout the economy. As in the case of employment multipliers, the highest income multipliers were found in the air transport industry.

In conclusion, TSA 1995 has been based on the methodology produced by the World Tourism Organisation (WTO) together with its Recommended Methodological Framework and approved by the United Nations Statistical Commission. Reference has also been made to the methodological publications of the Organisation for Economic Co-operation and Development (OECD). Definitions used have been based on the recommendations of the WTO, with some modifications for Fiji purposes.