

**Issues arising concerning the treatment of “Business
Tourism” in a UK Tourism Satellite Account.**

A Briefing Paper

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Section 1: What is “ Business Tourism” ?

1a: *General definitional issues.*

At the outset, it is perhaps necessary to consider precisely what is meant by *Business tourism*, since the term seems to encompass somewhat differing sets of phenomena according to commentator and purpose.

From a *demand* perspective (which is usually that recommended and adopted in formal tourism satellite accounting, as will be discussed in more detail subsequently), business tourism is generally defined along the following lines:

“expenditures made by or for an individual associated with a visit which satisfies the criteria to be defined as a business tourism trip”

Given a generic definition of this type, it is of course necessary to have an ancillary set of definitions of each of the included terms. For example, “*expenditures*”. Following international guidelines (as exemplified, par excellence, by the TSARFM), this is generally defined to include virtually *all* expenditures made during a trip, and possibly related pre- and post-trip expenditures.

“*By and for an individual*”. Especially in the TSA literature, the demand-orientation focuses very clearly on the person making the trip as the central agent of interest. “Who pays” for the trip expenditures of the individual is explicitly of secondary importance, and (at least in some sources) would seem to be seen as virtually irrelevant.

“Business tourism trip”. In the literature, to be defined as a *tourism* trip a visit has to satisfy certain spatial (e.g. miles from usual residence) and duration (e.g. number of hours/days) criteria. To be defined as a *business* tourism trip, the visit must also be for business/commercial/professional purposes (as opposed to leisure, health, etc.)

At the risk of over-generalisation, there is a tendency in the demand-oriented literature to wish to treat “business tourism” as essentially the same as any other form of tourism *except for the purpose of the visit*. This partly explains why the examples of business tourism visitors given tend to be relatively straightforward cases, such as “travelling salesmen”. As discussed further below, this may cause difficulties in both principle and practice.

Given its emphasis on demand, the TSA literature gives little (if any) consideration to a *supply-oriented* definition of business tourism. However, the review of documents for the present note indicated that a “supply perspective” is the one adopted implicitly or explicitly by a wide range of business tourism stakeholders and commentators. Broadly, the supply-orientation emphasises the range and volume of activities and commodities produced and supplied specifically for *business* tourism purposes (i.e. to serve the “business tourism market”). An excellent illustration of this approach is given in a recent report by the Business Tourism Partnership¹

At the outset, it states “business tourism is a sector of the wider tourism industry”, and defines it as including:

- Conferences and Meetings

- Exhibitions and trade fairs
- Incentive travel
- Corporate events
- Outdoor events
- Business (or individual corporate) travel

In the language of the TSA, the “supply-side” definition of business tourism clearly relates to the concept of *business tourism characteristic commodities*, with the basket of producers of these commodities being described as the “business tourism industry”. The supply approach illustrates that business tourism encompasses far more than is suggested by “commercial traveller” examples and the like. It also encourages the analyst to give greater consideration to “who pays” issues (in particular, it invites the thought that business tourism expenditures made *for*, as opposed to *by*, the individual traveller may be significant). However, as with all definitions based on market criteria, the supply approach has weaknesses; specifically, (a) not all the sales of business tourism characteristic commodities will be made to business tourists (this would appear to be especially true of “outdoor events” in the list above), (b) the business tourism commodity may not be the only, or even principal, product of the producing enterprise (for example, a university hosting a conference), and (c) business tourists may well spend on non-business tourist characteristic products.

In summary, in initially contemplating the definition and compilation of a TSA, the analyst would be wise to adopt a broad interpretation of business tourism, neither excluding nor over-emphasising a person-oriented “demand side” approach or a commodity-oriented “supply side” approach. In fact, given the historical realities in

TSA development, it is difficult to adopt a pragmatically open-minded viewpoint since the international guidelines (including the TSARFM itself) so strongly emphasise a demand orientation. However, as will be discussed immediately below, the attempt to incorporate business tourism within the TSA framework under a “demand dominant” paradigm creates difficulties even in the TSARFM.

1b: The treatment of Business Tourism in the dominant TSA methodology²

Before considering specific issues, it is important to remember that the dominant TSA methodology essentially tries to satisfy two distinct ambitions: (a) to define a wide-ranging phenomenon described as “tourism” in such a way that the constituent elements can be quantified in a *tourism satellite account* which satisfies specified *internal* identities, etc.; and (b) to specify a **particular** form of TSA which is consistent with existing National Accounts definitions and identities as specified in the SNA(93). A major goal is to allow the outcome values of TSA tourism variables to be compared directly or through transformation with recognised National Accounting macroeconomic aggregates such as GDP, Value Added, Final Expenditure, etc.

There are numerous very good reasons why the compilers of the TSARFM would wish TSAs to satisfy both these objectives, but it must be recognised that there is no *fundamental* reason why they should be entirely compatible. In fact, as discussed immediately below, the specific case of business tourism would appear to be an example of where attempting to marry a desirable treatment of an element of tourism

with an over-riding requirement of conformity with the National Accounts leads to tensions and ambiguities.

To begin at the beginning, the reader of the TSARFM is immediately confronted with the fact that there are **two** separate components of tourism as defined which clearly relate to the phenomenon of business tourism.

The first of these can reasonably be summarised as consisting of “consumption expenditure in cash or kind made by or for the visitor in relation to a business trip”. As noted earlier, the trip itself has to satisfy certain spatial and time criteria and the purpose must be business related.

The second component is described as “tourism business expenses”, and it is worth quoting the TSARFM definition of this in full (TSARFM B.4.6, para 2.56, page 27):

“ The scope of tourism business expenses needs clarification (*sic*). It includes tourism expenses that are classified as intermediate consumption of businesses, government units and NPISH, and 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, which are considered as remuneration in kind or cash. As a consequence, tourism business expenses do not represent total consumption of visitors on business trips”³

Ignoring “tourism social transfers in kind”, it is clear that the TSARFM envisages the following accounting identity for business tourism (TSARFM, Figure 2.2, page 28):

$$\text{Business visitor final consumption expenditure} + \text{tourism business expenses} = \text{business visitor consumption.}$$

There are a number of difficulties, of varying degrees of technical or practical importance, created by this treatment of business tourism in the TSARFM.

First, this particular breakdown of business tourism is in clear violation of the person-oriented demand-side vision underlying the dominant TSA approach. Separation according to purpose of visit is consistent, but separation according to who pays is not.

Secondly, the term “tourism business expenses” is sufficiently close to “business tourism” to invite confusion over which phenomenon is actually under discussion (and in the author’s experience, there *is* confusion). A title such as “corporate tourism expenses” or “organisational tourism purchases” would be more descriptively helpful.

Thirdly, looking at the definitions of the two components of business tourism, there is clearly scope for ambiguity concerning which expenditure items are to be included under which category. Specifically, business tourist final consumption expenditure is explicitly defined to include “expenditures by *or for* the individual”. Of course, the issue is what “for” is included here, if organisational purchases for the individual are

included in tourism business expenses? Additionally, the definition of tourism business expenses invites the exclusion of certain items (payments for meals, etc) although these are made by the organisation for the individual on a business trip. This rather ad hoc allocation of different items to different components is messy, will certainly be difficult to operationalise, and actually does not make a great deal of sense in terms of an internally consistent treatment of business tourism in a stand-alone TSA.

Why is the treatment of business tourism in the TSARFM and elsewhere so “awkward” at best? In the author’s opinion, there are two basic reasons, one relating to fundamental methodological principles and the other more “speculative”.

The fundamental methodological reason is the enforced requirement that TSA entities be defined and measured in such a way as to be consistent with pre-existing national accounts aggregates as defined in the SNA. A measure of *aggregate* business tourism expenditure (including relevant expenditures of both individuals and organisations) is economically meaningful, is quantifiable in principle, and may be highly policy-relevant in terms of assessing the size and scope of this activity. **However, this measure is not compatible with National Accounts measures of macroeconomic activity.** In particular, a key international measure of an area’s income creation over a specified period is Gross Domestic Product (GDP). Through conformity with national accounting identities, GDP can be measured as (appropriately defined) expenditures, GDP(E), incomes, GDP(I), and outputs, GDP(O). A fundamental principle in measuring GDP is to avoid double-counting, which in practice essentially means stripping out inter-industry transactions in commodities used in production

processes. In the language of Input-Output accounts, GDP is measured in terms of “final expenditures” or “primary inputs”, with “inter-industry transactions” explicitly excluded.

The *problem* with “aggregate business tourism expenditure” is that, in national accounting terms, it includes both “final” and “intermediate” expenditures and hence cannot be directly compared with GDP. This point is made clearly and correctly in the TSARFM and elsewhere. In particular, to derive aggregate business tourism’s share of GDP is economically meaningless, since the two measures are definitionally inconsistent.⁴ It is the attempt to separately identify components of business tourism expenditures which are/are not consistent with GDP which explains the treatment in the TSARFM.

Specifically, the definition of “business visitor final consumption expenditure” is (virtually?) identical to that of household final consumption expenditure in the national accounts. These are essentially expenditures made by individuals in association with their business trips. This leaves “expenditures for individuals” hanging in the air a bit, but if these are interpreted as organisational payments which are treated as income receipts of individuals in the national accounts, then the problems are resolved. In pre-existing national accounts, these expenditures will in principle be subsumed:

- (a) in domestic household final consumption for business visits made within the country by domestic residents.
- (b) In exports for business visits made within the country by non-domestic residents.

In keeping with its generally cursory treatment of the item, the TSARFM does not provide much guidance on the mapping of tourism business expenses to GDP, and, in fact, the following seems simply wrong (TSARFM, 2.59, page 29):

“ Tourism business expenses are included in the figure so that the complete scope is considered; this item covers only the consumption of visitors on business trips that is considered *as intermediate consumption of the corresponding production units* (present author’s italics). Other expenditure made by visitors on business trips may correspond to any other category considered in the figure (*sic*)”.

In fact, from the TSARFM definition of business tourism expenses quoted earlier, this item would appear to contain both intermediate and final expenditures as follows:

- (1) Operating expenditures associated with business visits made by domestic private companies are *intermediate*.
- (2) Operating expenditures associated with business visits in the country of destination made by foreign organisations are *final* and will appear as “exports”.
- (3) Operating expenditures on local business visits by domestic government agencies are *final* and will appear as “general government current consumption”
- (4) Operating expenditures on local business visits by domestic universities, charities, etc are *final* and will appear under “NPISH final consumption”.

Aggregating only those business tourism expenditures which are final (and netting out imports, etc) does give a measure which is definitionally compatible with GDP(E); however, this measure understates the true “share” of business tourism in national economic activity since it excludes any contribution from domestic corporate purchases related to business tourism. Simply because the latter is “intermediate” in a national accounting sense does not make it non-existent in an economic sense! There are of course ways to deal with this; in particular, to concentrate on measuring the local value added (i.e. the output measure of GDP, GDP(O)) attributable to all elements of business tourism.

Required consistency with the national accounts *does* provide a rational explanation of why the treatment of business tourism in the TSARFM appears to be somewhat awkward and complicated (though, even in this context, there appears to be a need for some further tidying-up in terms of rigour). However, this hardly seems to explain why “business tourism” generally and “tourism business expenses” specifically are treated in such a *cursory* fashion in the TSARFM and elsewhere.⁵ In the present author’s personal opinion, this is probably a reflection of the mind-set of the manual compilers. The more one reads the TSARFM and other manuals, the more one feels that the archetypal economy envisaged is a small one, relatively under-developed in terms of industry mix and business/social infrastructure, and with a relatively large “tourism sector” primarily oriented towards leisure tourism. In such a case, it is easy to envisage that both the domestic demand for business tourism activities and the local supply capability to service the requirements of the “corporate hospitality, etc” market are strictly limited. If business tourism is very small, and restricted to items that are fundamentally similar to holiday tourism (“travelling salesmen”, etc), then

why bother to give it any particular attention in either theory or practice? Paragraph 2.59 from the TSARFM quoted above gives a feeling that business tourism expenses are included for methodological completeness, but as an “add-on”, not especially important in their own right. Whatever the merits of the “unimportance” arguments for the archetypal small economy, it would be dangerous and unnecessary to adopt them on a *prima facie* basis for the UK, which is one of the largest and most sophisticated economies in the world. On the contrary, treated on an even-handed basis at the outset, the true importance (or otherwise) of business tourism in the UK will be revealed in the outcome TSA.

In conclusion, the discussion in this section invites some suggestions concerning how, at least *ab initio*, the treatment of business tourism in a putative UK TSA should be contemplated.

- 1) In all the international manuals, business tourism is recognised as a distinct sub-component of the total tourism phenomenon, distinguished from other forms of tourism primarily in terms of purpose of visit. Therefore, if for no other reason than conformity with best international standards, business tourism should be included as a separate element(s) in a UK TSA. The fact that business tourism is given little prominence in the TSA literature should not be taken as a signal that it can be safely treated in a superficial manner in the UK.
- 2) In the initial data identification and collection process for the UK TSA, business tourism should be treated *holistically*. That is, the first priority is to identify all the activities subsumed in business tourism and measure the

economic transactions associated with these. As appropriate, both demand-side and supply-side approaches should be given equal weight.

- 3) *Pace* what has been said earlier, it **is** necessary that key measures derived from the TSA can be made compatible with UK macroeconomic statistics from the national accounts. However, this need not excessively constrain the formulation of the TSA itself, for which clarity, policy-relevance and internal consistency are the paramount requirements. It does require that a comprehensive guide is prepared which allows the *translation* of TSA outcome values into “national account equivalents”.

Section 2 Brief Review of the Treatment of Business Tourism in Extant TSAs.⁶

The Enzo Paci Papers Volume 1 (*Tourism Satellite Account Implementation Project*, WTO 2001, pages 191-200) summarise the results of a WTO survey of actual or proposed operational TSA developments in 44 specified countries. These countries had been identified by the WTO as being (in April 2001) included in one of the following categories:

- countries with an established Tourism Satellite Account
- countries expecting that the implementation of their TSA will be highly developed during the period 2001/2003
- countries that have recently developed relevant studies on the economic importance of tourism.

Of these 44 countries, only 6 claimed to have a “fully-fledged” implemented TSA, while 3 others claimed a “partially” implemented TSA. Of relevance here, 37 countries (including all of the 9 with an existing implementation) indicated that, in quantifying their TSAs, their measurements would seek to cover a separately identified item “business travel”. While it is not clear precisely what each country would include in this category, this finding does seem indicative of a general international tendency to perceive “business tourism”(in one form or another) as being actually or potentially important, and worthy in principal of separate consideration from other forms of “tourism”.

The aforementioned report also gives some details of the individual country survey responses, from which the following are probably the only relevant generalisations that can reasonably be drawn:

- a) All countries envisage various visitor surveys as being a major source of tourism expenditure data, with a number relating these specifically to the estimation of “visitor final consumption”.
- b) A smaller number of countries also mention enterprise surveys as a source of data, generally relating to hotels/catering or transport. That is, these countries contemplate the use of supply-side data relating principally to *general* tourism –characteristic industries/commodities.
- c) Only **one** country explicitly mentions surveys that could provide data relating fairly directly to *business* tourism-characteristic industries. Specifically, Singapore refers to the following sources:
 - Survey of Foreign Exhibition Visitors, Exhibitors, Conference Delegates
 - Survey of Convention Delegates
 - Statistics on Exhibitions, Conventions and Incentive Travel.

Overall, it is clear that most countries contemplating the construction of a TSA recognise the importance of “business tourism” and would wish to separately identify and measure at least some aspects of this phenomenon. It appears that many countries envisage collecting and processing the necessary data from surveys relating to “tourism” generally.

The following notes, derived from a short desk-based document trawl (see footnote 6), are simply intended to give a “flavour” of what appears to be the treatment of business tourism in a number of specified countries.

Canada⁷

Canada, has of course, been a key player in both the methodological and empirical development of TSAs since the outset, and it can be fairly said that Canadian influence and experience has had a significant impact on the framing of international guidelines such as the TSARFM.

In view of this, it is perhaps surprising to note that, for the third-party reader, it is difficult to ascertain how business tourism is actually dealt with in Canada. In the report referred to in footnote 7, only “domestic tourism demand” and “foreign demand” are separately quantified in tables. However, an earlier paper⁸ does break down domestic demand into “business expenditure” and “personal expenditure”, so presumably this is still done within Statistics Canada itself. *(This illustrates a general problem: published outcome reports provide limited guidance to the would-be compiler of accounts. What is required are the in-house “how to notes”, spreadsheets, etc, but these are very rarely available to a third party).* Certainly, the footnote 7 source (page 15) clearly states that “Business, government and personal tourism expenditures are included for all types of demand”...though it is not entirely clear precisely what is included where. The footnote 7 reference indicates that tourism (i.e. visitor) surveys are the main source of tourism *demand* data, supplemented where necessary by information from domestic household expenditure

surveys. It also indicates that tourism *supply* information is derived primarily from the Canadian Input-Output tables (*note: many countries appear to use Input-Output tables both to provide information on tourism industry outputs and to effect a reconciliation between tourism supply and demand estimates*). As pages 21-22 make clear, the Canadians clearly attempt to distinguish “tourism-characteristic”, “tourism-specific” and “non-tourism” industries⁹ at a fairly detailed level of disaggregation (typically 2, 3, or 4-digit SIC). However, as again is seen other countries, none of the identified industries are particularly linked to *business* tourism specifically, and some industries that might be so linked (e.g. SIC 7999, Exhibition Operations) are not separately listed at all. The distinction between “business tourist final consumption” and “tourism business expenses” does not appear to be drawn in the Canadian documents examined.

In terms of quantitative importance in Canada, in 1992, estimated “Business Tourism expenditure in Canada” accounted for 31.9% of total domestic tourism demand and 24.7% of total tourism demand. 56.8% of business tourism expenditure was on transport, followed by 23.0% on accommodation and 17.3% on restaurants/bars.

Australia¹⁰

From the admittedly summary document referenced, the Australian TSA separately identifies “domestic household tourism consumption” from “domestic business plus government tourism consumption”. As published, “international tourism consumption” is not divided into business and other

types of visitor. In 2001/02, business/government tourism consumption accounted for 11.6% of total. As in Canada, the principal expenditures were on travel, accommodation and restaurants/meals.

New Zealand¹¹

The reference document was among the most detailed found in terms of explaining the methodology employed in compiling the TSA.

The New Zealand TSA covers visitors who travel to or within New Zealand. These are classified as either domestic or international tourists. Domestic tourists are further broken down according to household, business or government travel. The latter two groups are clearly defined as :

“employees of private enterprises (government departments) whose purpose of travel is business and whose expenses are met in full or part by the employer”

This would seem to be consistent with the spirit of international guidelines (Interestingly, in NZ “travelling salesmen” are explicitly excluded on the grounds that travel is an intrinsic part of their jobs. This would seem to be contrary to international guidelines!). International tourism demand is not subdivided into business or other categories.

In terms of principal information sources, reference is made to visitor surveys and household expenditure surveys (which is common), *but also to some*

tourism producer statistics and balance of payments data (which is less common). It notes that the personal surveys do not capture all the tourism expenditures made on behalf of households.

Estimates of business travel expenditure are “drawn from the intermediate consumption by product of the private sector industries in the I/O tables”, supplemented by other government surveys (which appear to be general business enquires). Estimates of travel expenditure by government are derived from direct survey of a sample of government agencies. (*Note: derivation from these sources would suggest these expenditure categories relate to “tourism business expenses” only.*)

There is discussion of the identification of tourism-related industries (again based on tourism demand shares), but again not specifically related to business tourism.

In 1999, business and government tourism as defined accounted for 13.4% of total NZ tourism demand. (However, it will be noted that it appears that “business visitor final consumption” is not included here.).

A number of additional documents for other countries were examined (see bibliography), without providing any significant additional insights. In general, the following summary points regarding current practice internationally would seem to be justified:

- Most countries seek to take cognisance of “business tourism” as a separate entity. However, there are wide variations in implementation regarding the separation of “business tourism final consumption” from “tourism business expenses”, whether international tourists are split into business and other, etc. Countries seem to be taking the TSARFM as a methodological baseline and adapting specifics to domestic data availability and policy requirements.
- Tourism visitor surveys and household consumption surveys are universally employed as key data sources. Industry surveys are also frequently mentioned (usually as a source of output data, but occasionally as a source of purchases data). Limited use seems to be made of foreign trade statistics, which is perhaps surprising.
- Most countries seek to disaggregate “tourism-related” industries, based on *general* tourism demand ratios. Very little attention has been given to even considering the identification of *business tourism characteristic sectors*.
- Input-Output tables appear to be widely utilised at **all** stages of the TSA compilation process. With regard to business tourism, they have a particular role in the estimation of intermediate tourism business expenses.
- Though exact comparisons are precluded by definitional differences, the relative importance of business tourism appears to vary significantly in different countries.

Section 3 Possible data sources for Business Tourism in the UK

3a: Discussion of sources.

From the preceding discussion, it will be clear that, in principle, there are three types of surveys which could provide quantitative information on aspects of business tourism in the UK. These are:

- Surveys of domestic and overseas *visitors*, especially regarding purpose of visit and trip expenditure.
- Surveys of domestic (and less probably, overseas) *enterprises and government departments*, especially with regards to “tourism business expenses”.
- Surveys of domestic *suppliers* of business tourism commodities, for data on the volume and market pattern of output and on supplier input structure.

If useable data from all three types of sources was available, this would provide independent demand-side and supply-side information....invaluable for cross-checking and validation.

Considering specific UK sources under of these generic headings in turn:

1) *Surveys of Visitors*

In the UK, the principal regular sources of statistics for tourist visitors are the International Passenger Survey (IPS), which provides information on international visitor trips to the United Kingdom, and the UK Tourism Survey (UKTS), which provides information on domestic tourism trips made by UK residents. As the main

UK sources of visitor information, features of these surveys have been very widely examined and discussed, particularly with regard to the volume and statistical quality of the data collected. Here, however, the discussion only considers general aspects of the surveys relating specifically to business tourism.¹²

The first point to note is that both surveys seek to identify the *purpose* of the trip, and in particular to identify business trips as a distinct separate category. Neither survey explores in detail the nature of the business undertaken during the trip, but the IPS at least does ask if (a) a trade fair/exhibition was attended during the trip and (b) if a conference/ business meeting of more than 20 people was attended. In fact, in principle the IPS could provide overseas visitor trips numbers data for the following categories and sub-categories:

- Those describing “business” as their main reason for visiting the UK.
- Those who attended a trade fair/exhibition as their main purpose for visiting the UK
- Those who attended a trade fair/exhibition, but not as their main purpose for visiting the UK
- Those who attended a conference/business meeting of more than 20 people organised by their own company
- Those who attended a conference/business meeting of more than 20 people organised by “someone else”.

This is all potentially useful volume data, but a number of points obviously arise (and in fairness, can probably be answered by the IPS compilers). For example,

- If someone described their main purpose of visit as holiday/pleasure, but attended a trade fair (and perhaps a conference), would they be described as a leisure or business visitor? Presumably the former, but this does have implications for the allocation of expenditures to the various visitor categories as discussed below.
- Presumably someone could attend a trade fair and a conference (i.e. sub-categories not mutually exclusive), so care needs to be taken to avoid double-counting in aggregation.
- Why no sub-categories for other types of business visitors?
- Why the cut-off point of 20 persons for conferences/ business meetings?

For present purposes, it is accepted that in combination the IPS and UKTS can provide volume data on the number of business trips in the UK made by overseas and domestic visitors, and ancillary nature-of-trip data that may or may not be useful for TSA compilation. Both surveys seek additional trip-related data relating, for example, to bed nights and in particular *expenditures*. Both attempt to obtain data on total expenditures made during the trip (and, in varying degrees which are not relevant here, on pre- and post-trip related expenditures). From inspection of the IPS questionnaires (see footnote 12), two substantive points appear immediately to arise:

- (1) It would seem that, if a respondent describes the main purpose of visit as business (leisure), then *all* expenditures associated with the trip are allocated as business (leisure). A classic relevant example is, of course, the conference attendee who takes a short local leisure break before or afterwards. On his

reading of the TSARFM, it is not clear to the present author if this treatment follows the international guidelines, but it will probably have to be adopted in constructing a UK TSA.

- (2) It is not clear from inspection of the IPS questionnaire whether the respondent will, or will not, include trip-related expenditures made on his/her behalf directly by the employer (i.e. business tourism expenses). The following questions seem to *invite* such inclusion, without *explicitly asking for it*:

52.c “Was anything else spent on hotels or other accommodation?”

54 “Was anything else paid before you arrived in the UK or is there anything left to pay?” (*Incl deposits, car hire, hotels, coach fares, theatre tickets, short course and conf. Fees. Excl trade fair stand or UK rail paid in advance*).

It is the ambiguity that is the major problem. If employer expenditures are included, then the visitor surveys are a valuable source for tourism business expenditures, and if they are not then data generation resources can immediately be targeted elsewhere. Of course, the worst case is if an unknown fraction of visitors do include them and the remainder do not.¹³ *An important step in clarification would be to ascertain precisely what prompts are given to respondents by those conducting the visitor surveys.*

The IPS does not regularly ask for any significant breakdown of trip-related expenditures, but the UKTS does provide information for 9 fairly broad separate expenditure categories. The usefulness or otherwise of this disaggregation for TSA

purposes generally will be discussed elsewhere in the “First Steps” project; here it is sufficient to note that none of the expenditure groups relate anything like directly to *business-tourism* characteristic commodities (such as trade fairs or conferences).

In summary, in compiling a TSA for the UK, it is inevitable that the IPS and the UKTS will be major data sources for the estimation of *business tourism final consumption expenditure*, in respect of both domestic and overseas business visitors. Whatever their merits in this regard, their value in estimating *tourism business expenses* is presently unclear.

In the Internet trawl, one other source of UK business visitor expenditure was found, which, though irregular, is highly relevant to one component of business tourism. Specifically, this was the document:

Estimating the Direct Expenditure Benefits of a Conference to a Local Area (An Advisory Note from the UK National Tourist Boards, 2001 update).

This short note provides an update to 2001 by Bournemouth University of a 1997 survey undertaken by the National Tourist Boards in collaboration with the British Association of Conference Destinations (*note the latter as a possible information source*).

The note includes 3 tables of key summary results:

- Table 1 Average Expenditure by Delegate per trip (and per day)
- Table 2 Additional Expenditure by Accompanying person per trip

- Table 3 Percentage Expenditure by Category of Spend.

Four separate conference categories are identified:

- Association (professional, societies, etc)
- Corporate (company meetings, training courses, etc)
- Academic
- Other (government, charities, etc)¹⁴

The following expenditure categories (which are different from the UKTS) are identified:

- Registration fee
- Overnight Accommodation at conference
- Overnight Accom. Before/after conference
- Travel to UK
- Travel in UK to conference
- Local travel at destination
- Food and drink
- Evening events and entertainment
- Shopping and gifts
- Day trips and pre/post conference tours.

In compiling a UK TSA, this data *could* be useful in two non-mutually exclusive ways:

- a) If volume data on conference trips/days is available from visitor surveys or other sources, it could be used to estimate expenditure totals

- b) Even if expenditure control totals are derived from other sources, it could be used to fine-tune the expenditure *pattern* estimates for “conference business visitors” specifically.

2) *Surveys of Domestic Enterprises and Government Departments*¹⁵

Virtually every organisation in the UK has to provide some record of economic activity to some agency or other under a wide gamut of statutory and other regulations. The nature and volume of information on income, expenditure and employment varies greatly according to purpose and requirement. Different (and frequently mutually inconsistent) industry/commodity definitions, grossing-up methods, etc are used by different bodies. Even when collected by government, data protection and other confidentiality requirements frequently preclude the transmission of data among departments other than in a summary processed form. A growing number of surveys are being undertaken by private bodies, which can make even their existence difficult to identify (and can also make them very costly to purchase). Overall, in the author’s opinion, it would be *impossible* to construct economy-wide estimates of business tourism expenditures (whether intermediate or final) from extant surveys of businesses and other organisations.

This is not of course to argue that such surveys are without value. Consider, in particular, the Annual Business Inquiry (ABI), which is the principal official regular source of economic statistics for UK industry. It can be noted immediately that ABI coverage is not complete: agriculture is omitted from employment, while turnover

data also excludes some business/finance services and parts of the public sector. However, in the general scheme of things, ABI coverage has to be rated very good.

In terms of data type, the principal ABI form (K104) requests information on business receipts (“output”), operating and other expenditures and employment. ABI data is collected for UK national accounts purposes, and this is reflected in the precise nature of the questions asked.

The industry output and employment data from the ABI could be useful to the would-be compiler of a TSA in two ways:

- a) To derive domestic supply control totals for tourism-characteristic and tourism-related industries.
- b) To derive domestic supply controls for industries generally, to which tourism share ratios can be applied (but from where are these obtained?).

Use (a) is clearly the most valuable, since it more or less *directly informs* the TSA. However, the ability to confidently map an industry to tourism **a priori** depends almost entirely on the detailed nature of the industry’s activities, the homogeneity of which depends on the degree of industrial disaggregation. As an example, consider the following SIC92 industries which could be viewed as *candidates* for inclusion as business tourism characteristic (**) or business tourism-related (*) industries:

(**) 55.52 Catering (corporate hospitality)

(*) 60.22 Taxi (including private rent with driver)

(*) 63.30/2 Activities of travel organisers

(**) 74.84/3 Exhibition and Trade Fair Organisers

(**) 74.84/4 Conference Organisers

(*/**) 91.11 Activities of Business/employer Organisations

(*/**) 91.12 Activities of Professional Organisations.

The noteworthy point is that the only industries that one could “confidently” define as business-tourism characteristic a priori are at the 4- or 5-digit SIC level. However, at least for the third-party, the maximum degree of disaggregation of ABI results is 3-digit SIC, and even some of these results are withheld because of disclosure rules. Thus, for example, SIC 74.8 (miscellaneous business services nec) could not be described as business tourism characteristic, since it includes photography, packaging and secretarial activities.

Again using the ABI as an example reveals the difficulties that can be expected in attempting to use extant business surveys as a principal source of data on tourism business expenses by *the purchasing industries*. The relevant section of ABI questionnaire K104 is:

4.2 Purchase of goods, materials and services

Within which, probably the most relevant sub-sections are¹⁶

407 purchases of transport services

410 purchase of advertising and marketing services

411 other services not separately listed.

The important point is immediately obvious: these expenditure categories are clearly much wider than business tourism, and it is not clear how the latter could be identified (far less quantified) from a completed ABI response.¹⁷

Clearly, an attractive alternative for the would- be TSA compiler would be to access relevant data collected and processed from all surveys and presented in a single set of internally consistent accounts. In the UK as elsewhere, the most obvious candidate sets of accounts are the *national Input-Output Tables*. In theory, a sufficiently detailed I/O table could include all the information required to construct a variant of TSA core table 6, requiring only re-formatting.

In reality in the UK, the following are among the important issues that have to be considered in contemplating the use of the national I/O tables as a major source of data for constructing the TSA:

- i) Given the complexities of their construction, outcome I/O tables are typically 3 years or so out of date (the most recent UK tables

are for 2000?). Of course, this does not matter if a three-year old base TSA is acceptable. More generally, it may be possible to incorporate up-to-date supplementary information relating to key TSA variables into the extant I/O tables (using RAS or something similar) to construct a more recent hybrid base year TSA.

- ii) The UK I/O tables do not contain vectors for either domestic or international visitor final consumption. These will have to be estimated from other sources and separated out from the pre-existing final demand vectors in the I/O tables....this may not be as straightforward as it sounds.
- iii) It is already well-recognised that the industrial disaggregation in the UK I/O tables is unsatisfactory for TSA purposes (with the major fraction of anticipated tourism characteristic activity being subsumed in only two separately identified I/O sectors.). Fundamentally this inhibits the policy usefulness of the TSA, but it also creates difficulties in initial compilation (a) with regard to identifying and quantifying domestic intermediate tourism business expenses, and (b) with regard to the estimation and use tourism activity share ratios. Hence, further disaggregation of key TSA sectors will probably be envisaged from the outset, requiring the reprocessing of existing data or even the introduction of new purpose-designed surveys.

3) *Surveys of Business Tourism Suppliers.*

There are a large number of trade associations and other representative bodies involved in various components of what they themselves would describe as “the business tourism industry.”¹⁸ An excellent overview guide to “who does what” and to aspects of the UK business tourism industry generally is the *Business Tourism Briefing: an overview of the UK’s Business Tourism industry* produced by the Business Tourism Partnership. The BTP is an umbrella organisation which describes itself as follows:

“The Partnership has the leading trade associations and government agencies with an interest in the sector as its members. It exists to lead the way in supporting a competitive, high quality and more profitable business tourism sector in Britain”.

Clearly the BTP could be a useful point of contact and source of data on business tourism.

A major source of original data relating to UK business tourism is the *British Conference Venues Survey* available through the British Association of Conference Destinations (who are members of the BTP). The main objectives of the 2003 survey are stated to be:

- to measure the key characteristics of the UK conference and meetings market experienced by venues including methods of booking, the size, duration and timing of conferences;

- And to gain a clearer picture of the economic value, based on conference business handled by such venues during the calendar year 2002.

The Internet trawl identified some other surveys that could provide statistics on business tourism (though these have to be purchased to be accessed), including:

British Hospitality Trends and Statistics

UK Conference market Survey

The 1997 Exhibition and Conference Market Report

UK Hotels Market Development Report

There are probably many others, frequently produced by private organisations and aimed at a specialised within-sector market. The latter types of reports in particular can be difficult to identify and expensive to purchase.

The Meetings, Incentives, Conventions and Exhibitions Research Unit (MRU) at Bournemouth University undertakes, as its name would suggest, specialist research into the "MICE industry", including discussion and analysis of economic statistics.

The unit has put a number of relevant research reports online at:

<http://ictmr.bournemouth.ac.uk/mice>

Overall, there would appear to be a great deal of "supply-side" statistical information produced relating to aspects of UK business tourism. For some sub-sectors (Conferences? Exhibitions?), there may even be sufficient data available to satisfy most of the requirements for incorporation as separately identified "business tourism

characteristic industries” in a UK TSA. The problems will be in identifying, accessing and drawing together the information from a wide range of disparate sources. A good starting point might be to seek advice and guidance from the BTP and/or the MRU at Bournemouth.

3b: Preliminary evaluation of the “importance” of business tourism to the UK.

Drawing on information from the UKTS and IPS, the STAR website provides the following results for 2002:

Trip Purpose	UK Residents		Overseas residents	
	Trips (m)	Spend (£M)	Trips (m)	Spend (£M)
Business	23.3	5552	7.2	3573
All	167.3	26699	24.2	11737

Overall, business tourism expenditure was estimated at just over £9.1billion, representing 23.7% of all tourist expenditure as defined. Expenditure per business trip was higher than average at £299, compared with £201. Two points may be noted:

- 1) None of the above figures include “daytrips” for any purpose. Inclusion of daytrips would significantly increase the UK residents estimates but would have limited impact on the overseas results¹⁹

- 2) As discussed in the previous section, it is unclear to what extent, if any, the above figures include expenditures made for individuals by their parent organisation. Non-inclusion of these would undoubtedly impact more significantly on business tourism than leisure tourism²⁰

Overall, it seems certain that the £9.1 billion obtained from the UKTS/IPS results must, if anything, be an underestimate of actual total business tourism expenditure in the UK.

The *Business Tourism Briefing* of BTP provides the following estimates of the economic “size” of the sector:

Conferences and meetings. Estimated to be worth £7.3billion in 2001 (sourced from British Conference Market Trends Survey.)

Exhibitions and Trade Fairs. Estimated to be worth £2.04billion annually (no source given).

Incentive Travel. Gives an estimate of £165million per annum based on (unspecified) 1996 research.

Corporate events. Estimated value of £700million-£1billion per annum (no source given).

Outdoor events. Estimated at “at least £1billion annually”(no source given)

Business (or individual corporate) travel. Indicates no reliable estimates exist, but gives a figure of “upwards of £6billion per annum” cited in *Business Tourism Leads the Way*.

Taken together, these estimates would give a value of the UK business tourism industry (as defined by the BTP) of £11.2-£17.5billion per annum. In fact, in the House of Lords in July 2001, Baroness Blackstone gave a (BTP-sourced) figure of £15billion per annum as the value of the sector.

BACD gives the following summary key findings from the 2003 British Conference Venues Survey:

- around 1.1million non-residential and just over 0.3million residential meetings took place in the UK in 2002 (note: this gives an indication of the possible importance of “daytrip” business conference visits.)
- Value of conference market conservatively estimated at around £7.3billion.
- Residential conferences accounted for about three-fifths of the total value of the market. (note: this would suggest non-residential conferences were worth about £2.9billion, which would not be included in the STARUK figures cited above).
- 71% of all conferences took place in urban/airport hotels (see footnote 19).
- Over two-thirds of all conferences were organised by corporate or other for-profit organisations.

Overall, there is no real reason to doubt that UK business tourism expenditure as a whole (whether “intermediate” or “final” in accounts terms) is probably in the region of £15billion per annum, give or take a few billion. This can be described as “large” by any reasonable standards, comparable in size, for example, to the turnover of the entire UK HEI sector.

In addition to its quantitative significance, there have been claims that certain *characteristics* of business tourism mark it out as being of **strategic** significance to the UK economy. For example, BTP cite the following attributes of business tourism:

- at the high quality, high yield end of the tourism spectrum
- year-round activity, creating permanent full-time employment
- complements the leisure tourism industry, relying on much the same physical infrastructure.
- Investment in business tourism facilities leads to regeneration of urban and inner city areas
- Business tourism infrastructure can also be used by leisure tourists and locals.
- It is less affected by economic downturns and shocks than leisure tourism or other sectors.
- It stimulates future inward investment by creating a favourable impression in the minds of business tourism visitors.
- Requires higher quality of personal service, translating into higher levels of job creation (*author’s note: and higher levels of embodied skills?*).
- Many business travellers return with families as leisure tourists.
- It is sustainable, offering higher value added with fewer negative environmental impacts than mass leisure tourism.

It has to be said that some of these claimed attributes of business tourism seem more plausible than others. In any event, the testing of such “claims for tourism” against empirical evidence is one of the principal motivations for compiling a TSA.

Concluding Remarks

In the event, this briefing note has turned out to be significantly longer than originally anticipated. This is primarily because the review of the literature revealed some methodological difficulties in the treatment of business tourism, which do not seem to be being fully addressed or resolved in existing empirical implementations of TSAs. There would seem to be scope for UK TSA compilers to *improve* the current “state of the art”, in both technical and quantitative areas.

The evidence summarised suggests that business tourism is quantitatively important in the UK and may have certain attributes that make it more strategically attractive than leisure tourism....though all of this will be verified or refuted by the evidence in the outcome TSA itself. Certainly, it seems clear that business tourism should not be treated in a cursory or superficial manner in contemplating the construction of a Tourism Satellite Account for the United Kingdom. Though it may be difficult to identify and access, it seems likely that data availability for constructing UK business tourism accounts will be no worse (and perhaps better) than that available for other elements of tourism.

Endnotes

¹ *Business Tourism Briefing: An overview of the UK's Business Tourism Industry*
Business Tourism Partnership January 2003.

- 2 “The dominant TSA methodology” is interpreted principally as that contained in the TSARFM, being the modern synthesis of agreed international guidelines.
- 3 While the honesty of the authors in the first sentence is admirable, it is not especially helpful to the would-be compiler of an actual TSA!
- 4 A related aspect of this is that, even if one considers only final expenditures, imports have to be deducted for compatibility with GDP(E). However, this only reinforces the substantive point made in the text.
- 5 For example, in the TSARFM, there is more discussion on the treatment of post-trip film development than there is on the entire conference market!
- 6 These notes are based on a short desk-based review of documents accessible to the author either in hard-copy form or through the Internet. Coverage is far from comprehensive, but it is felt the comments made in the text give a fair “flavour” of the general approach to the treatment of business tourism in the international implementation at the present time.
- 7 Principal, though not necessarily only, document drawn on : *The Provincial and Territorial Satellite Accounts for Canada, 1998*. Statistics Canada Research Paper Ottawa June 2003.
- 8 Delisle J. “The Canadian Tourism Satellite Account: an analysis of results for 1988 and 1992”
- 9 As in the TSARFM, the distinction is primarily on the basis of percentage of total sectoral output accounted for by tourism demand.
- 10 Reference document: www.atec.net.au/resources/ Proforma Tourism_Satellite_Account_2001-02 5th June 2003
- 11 Reference document: www.stats.govt.nz/domino/external/web/prod_serv.nsf/htmldocs/Tourism+Satellite+Accounts
- 12 At the time of writing, the author only had access to the detailed questionnaires for the IPS. However, it is understood that the comments made in the text are also broadly applicable to the UKTS.
- 13 An important relevant aspect of this is, knowledge of the inclusion/ exclusion of tourism business expenses in the visitor survey results will highlight to the

TSA compiler how much attention should be paid to issues of double-counting in combining demand-side and supply-side data.

- 14 Note this breakdown conforms quite well to the desired TSA split between “household”, “government”, “NPISH” and “corporate” business tourism expenditure discussed in section 1.
- 15 As discussed in the text, government departments, NPISH, etc are only considered generally under “Input-Output tables as a source”.
- 16 On a technical point, it can be noted that the ABI explicitly requires employee travel and subsistence expenses to be treated as operating expenditures, not income in kind. This may be inconsistent with the TSARFM recommendations as discussed in section 1.
- 17 Another point may be made here, though it also relates to the subsequent subsection on supplying industry data. Specifically, even if a particular transaction can be identified as relating to a business tourist characteristic activity/commodity, can it always be classified as business *tourism* expenditure? What if a company hosts an own-staff seminar of too short a duration and too close to its own premises for staff attendance to qualify as “tourism trips” under the usual spatial and duration criteria? There appears to be nothing in the TSARFM on this, so the UK can introduce its own definitions. (The author would suggest defining all off-site conference, etc. venues as being “outside the usual environment”, and all attendance at such of any duration as being a business tourism visit.).
- 18 And what would formally be described in a TSA as “business tourism characteristic industries”.
- 19 Though this may be less true for overseas *business* tourists, since apparently (see later text) some 70% of UK conferences are held at airport hotels. Therefore, it is possible to envisage overseas businessmen “jetting in” for a one-day meeting.
- 20 In contrast to the £299 per business trip in the text, the *Estimating the Direct Expenditure Benefits of Conferences to a local area* report gives (2001) expenditure per delegate trip figures of £354-£548. Of course, not all business trips are to conferences.