

THE TOURIST INDUSTRY

INTRODUCTION

Tourism can lay claim to having been one of the most rapidly expanding sectors in international commerce through the 1960s and early 1970s. A technological revolution occurred in the air transport industry which, coupled with rapidly increasing disposable income levels in the developed countries of North America, Europe and, later, Japan, put within reach of a greatly increased number of people the possibility of extensive travel for business or pleasure.

Tourism poses many problems for the analyst seeking to comment on its past development, current situation and future prospects. It is perhaps one of the most difficult industries to define and monitor, many of the activities going to make up the sector being poorly documented in many countries and lacking consistency of data collection procedures in others.

The data available on world tourism often compares rather unfavourably in breadth of coverage, consistency, accuracy of collection procedures and usefulness of series collected with that which is available for other economic sectors of similar international importance. There are several reasons for this. One is the lack, until relatively recently, of agreed definitions on what to include. Another is the rapid, and recent, build-up in importance of the industry which means that many data series have not been in place very long. In most cases the data relating to (international) tourism has been collected primarily for balance of payments reasons and only secondarily for the purpose of documenting developments in tourist activity. The data often reflects the fragmented character of an industry whose constituent parts are recent off-shoots or expansions of other sectoral activities which happen to have been encouraged by the growth of world-wide travel activity.

The problems arising from rapid growth and deficiencies in data availability do not affect the analyst alone. They make more difficult the task for those actively involved, either as constituent parts of the industry or as administrators, of assessing the impact of developments in economic conditions, public policy and technological change on the industry.

In the New Zealand context relatively little has been written until recently on the travel industry and most has a narrower national scope than the broad comment offered in this article. One thing that has attracted comment over the years is the lack of comprehensive data to indicate, in relation to this country, how important the sector is to the economy. The Reserve Bank, as part of its collection of overseas exchange transactions statistics, has collected data on travel receipts. These have considerable deficiencies as indicators of the importance of the industry dealing as they do with only that part of the industry concerned with international travel.

A primary reason for writing this article is to explain the nature of these statistics more clearly and examine the trends which are evident in these transactions. As part of this it seems appropriate to comment briefly on developments in the broader industry in New Zealand and internationally. Accordingly, in the section which follows the article briefly examines recent developments

and prospects for the international travel industry. The article then examines the New Zealand industry, looking largely at the international sector of the industry, examining visitor arrivals and departures trends before turning to the overseas exchange transactions statistics relating to travel.

INTERNATIONAL TOURISM

In the period 1960 to 1975, there was an increase of about 8 per cent per annum in the number of international tourist arrivals. Rapid growth in airline capacity through the expansion of short-haul fleets and the introduction of wide bodied aircraft coincided with a relatively rapid increase in disposable income levels in the industrial countries to open up air travel to a rapidly expanding cross-section of the community. Travel for both business and leisure purposes grew and with it the travel industry.

Estimated arrivals in 1978 were 264 million persons while a 1976 estimate put the value of total tourist expenditure at US\$44 billion. It is expenditure, rather than arrival numbers, which is more relevant to an examination of the economic aspects of the tourist industry, but often data on expenditure is sparse, forcing a reliance on visitor numbers as a guide to changes in expenditure. This reliance on secondary data, although in principle undesirable, may not present too great a problem in this instance because if international tourist receipts are deflated by a general OECD price index (of GDP at purchaser values) it matches reasonably well the development of total tourist arrivals worldwide. In the absence of comprehensive primary data on expenditure, the New Zealand Tourism Advisory Council notes in its 1978 report that, 'the most accurate and regularly available measure of activity in the tourism sector is the number of visitor arrivals from overseas.'

After the period of increase in international tourist activity through the 1960s and early 1970s a slowdown, confirmed by OECD data, occurred in the mid to late 1970s. While the rate of growth in international tourist receipts and payments in the OECD area in the late 1970s was reasonably high in nominal terms, this essentially reflected the incidence of inflation. In real terms growth was in the order of only 3 per cent in 1979 as against 7 per cent in 1978 and 13 per cent in 1977. Since 1977 the international tourism sector, and short-haul travel particularly, has suffered the effects of the generally worsening economic situation reflected in lower rates of increase of real GNP, real disposable income of households and volume of private consumption, while consumer prices grew more rapidly and unemployment rose to higher levels.

In particular, the increased cost of energy and uncertainty associated with future supply and prices is creating an unstable background for expansion of international tourist activity in the 1980s. Even so, a recent report on 'International Tourism Development Forecasts to 1990' concludes that worldwide growth between now and 1990 is likely to be comparable to the growth observed between 1966 and 1976. However, even if realised this aggregate conclusion obscures significant changes which are likely to take place within

the industry; a changing balance of travel between major and minor countries of visitor origin; the fluctuations in the pattern of international travel based on relative costs; and the possibility that in some countries the industry may approach a ceiling level of activity.

As with any non-essential element of consumer spending, the rate of growth in international tourism expenditure is likely to be subject to marked fluctuations as economic conditions alter and, with it, the amount of income available for discretionary expenditure. At some point also real tourism expenditure, instead of rising at 9.5 per cent per annum as it did between 1966 and 1976, is likely to display a growth rate more closely aligned with the growth rate of disposable income. This is likely to become evident first in the previously dominant visitor origin countries, the five largest of which accounted for 54 per cent of world tourism expenditure in 1976. So, any decline in their contribution to world tourism growth will have a significant impact.

Without doubt growth in GDP and discretionary incomes in third world countries, forecast to exceed corresponding rates of growth in industrialised countries over the next decade, will have a positive impact on worldwide travel expenditure. But because these countries contribute only a relatively small proportion of worldwide tourism expenditure (in 1976 they contained some 82 per cent of the world's population and accounted for 19 per cent of world tourism expenditure) rapid growth in their absolute contribution will have only a limited effect on overall growth for some years to come.

As the industry reacts and adjusts to the present, rather different situation to that which it faced in the 1960s, a pertinent question for its participants to address will be that of how travel patterns are likely to grow and alter over time. It may be as important for the future of the industry that it develop the means to adjust successfully to periods of slow growth and rapid changes in the pattern of international tourism as was its ability in the 1960s to react to a period of unprecedented growth.

TOURISM IN NEW ZEALAND

Tourism is an industry of some importance in the New Zealand economy. It has been and still is widely regarded as a future major growth industry, although its performance in recent years, at least in terms of growth in international visitor arrivals to New Zealand, has not been as high as was optimistically forecast after the rapid expansion experienced in the early to mid 1970s. In terms of total expenditure for the whole tourism sector it is estimated that international tourism may contribute approximately 33 per cent of receipts and domestic tourism 67 per cent. Hence the largest proportion of tourist expenditure results from New Zealand residents holidaying in their own country. Yet the amount of hard data relating to domestic tourism which is available is inadequate by comparison with that which exists relating to international tourism to/from New Zealand. Given the proportions specified above, any assessment of the New Zealand tourist industry should concentrate primarily on the contribution of the domestic sector. That will not be the case in this article due firstly, to the non-availability of accurate, comprehensive data on which to base an assessment and, secondly, to the more limited objective entertained namely to provide primarily a comment on the Reserve

Bank's overseas exchange transactions travel receipts and payment data.

The small amount of survey work carried out relating to domestic tourism provides only a rather sketchy insight into the scale of the industry and its scope for development. Of this state of affairs it needs to be said that the size of the industry is difficult to measure because of the problem of isolating it. Data collection is difficult because the product is not homogeneous and it is often difficult to separate tourist expenditure from other consumption expenditure. However, a sector of such economic significance, appears to warrant a more concerted effort to generate reliable data. The contribution of some studies undertaken in recent years to fill this gap appears of limited value.

In New Zealand statistics on internationally generated tourist activity are less of a problem because people arriving from overseas are required to use procedures and fulfil requirements which facilitate or assist the collection of data. However, a comment is warranted on these statistics regarding the distinction made between visitors and tourists. For the purposes of external migration statistics compiled by the Department of Statistics a visitor (inbound or outbound) is classified as a person arriving in, or departing from New Zealand for a period of less than twelve months. Contained within this classification are subgroups made up of people who identify their purpose of visit as being tourism, performing in arts, sport and entertainment, business, full-time work or a working holiday, formal education, stopover and other. Tourists (according to this classification) in the year ended March 1981, made up 75.3 per cent of all visitors to New Zealand, and 81 per cent of all New Zealand residents who left as short-term departees.

The New Zealand Tourist and Publicity Department follows a convention in issuing visitor statistics, which equates to an accepted international definition of a tourist. The definition, adopted by the United Nations Conference on International Travel and Tourism (Rome), says that 'tourists' are 'temporary visitors staying at least 24 hours in the country visited and the purpose of whose journey can be classified under one of the following headings: (a) leisure (recreation, holiday, health, study, religion and sport); (b) business, family, mission, meetings.' It is perhaps questionable as to whether it is wise to aggregate such a diverse range of travellers because the characteristics displayed by those arriving on business are quite different to the characteristics displayed by those on working holidays or those who are 'genuine' tourists. In practical terms though facilities used and expenditure are frequently indistinguishable and hence provide a strong argument for considering the aggregate visitor figure as 'tourists'.

VISITOR ARRIVALS

Overseas visitor arrivals in New Zealand totalled 463,456 in the year ended March 1981, an increase of 4.1 per cent over the previous year (table 1), while in 1981/82 the statistic showed 2 per cent growth to 472,581. Visitor arrival numbers began increasing significantly in 1960, and the growth was sustained through until 1975, with year on year increases ranging from 7.1 to 26.3 per cent over the period. The average annual rate of growth through the 1960s was 15.5 per cent and this jumped to over 18 per cent in the period 1970 — 1975, largely reflecting the worldwide growth in international tourism. The rate of growth has slowed

TABLE 1
VISITOR ARRIVALS AND DEPARTURES
(Year ended March)

Year	Arrivals	Annual Percentage Change	Departures (N.Z. Residents)	Annual Percentage Change	Net Inflow of Visitors
1960	36,557		34,667		+ 1,890
1965	82,035	+ 17.7	74,536	+ 19.9	+ 7,499
1970	154,991	+ 17.5	112,082	+ 11.1	+ 42,909
1971	190,869	+ 23.1	117,747	+ 5.1	+ 73,122
1972	227,580	+ 19.2	133,878	+ 13.7	+ 93,702
1973	254,644	+ 11.9	154,992	+ 15.8	+ 99,652
1974	318,244	+ 25.0	208,314	+ 34.4	+ 109,930
1975	361,194	+ 13.5	249,884	+ 20.0	+ 111,310
1976	384,586	+ 6.5	240,658	- 3.7	+ 143,928
1977	380,222	- 1.1	244,998	+ 1.8	+ 135,224
1978	390,940	+ 2.8	284,284	+ 16.0	+ 106,656
1979	418,744	+ 7.1	343,764	+ 20.9	+ 74,980
1980	445,195	+ 6.3	426,805	+ 24.2	+ 18,390
1981	463,456	+ 4.1	451,300	+ 5.7	+ 12,156
1982	472,581	+ 2.0	419,458	- 7.1	+ 53,123

appreciably since then, and in the period 1976 — 1982 (March years) the average yearly increase has been 4 per cent.

The growth experienced in the first half of the 1970s is attributable to rising real per capita incomes, (particularly in the economies of those countries which are the major sources of visitors to this country), as well as greater leisure time, an increased desire to travel and technological advances in air travel and communication links. These factors combined with a relatively inexpensive life-style in New Zealand and the novelty of visiting a relatively unknown country helped to push up visitor arrivals rapidly.

The decline in the rate of growth of visitor arrivals to New Zealand since 1976 has been associated with the general slowdown in the world tourist industry, but has been more pronounced. Changes in the relative cost of short-haul and long-haul air travel, particularly as they have affected Australia as a source of New Zealand visitors, has been significant. For the last two decades Australia has been the dominant country of origin for visitor arrivals. In 1959/60, 48 per cent of the total visitor arrivals originated from Australia, and this proportion remained largely constant until 1972/73 before surging to over 60 per cent (231,358 arrivals) in 1975/76. Since then, arrival numbers have declined slightly to 214,380 in 1981/82 but more importantly the proportion of total visitors originating from Australia has declined to 45 per cent. In part this decline reflects the fact that the large increase in arrival numbers from 1973 — 1976 could not be sustained and that, with such an increase occurring within a few years, growth patterns in subsequent years would be disrupted. For many visitors it would be the case that, having visited New Zealand during the 1973 — 1976 period, they would turn elsewhere for their travel in subsequent years. The relative decline in the cost of long-haul fares, and active promotion in Australia of package tour holidays based on these over the last few years, will have contributed to make New Zealand a less attractive destination. The next three countries in order of importance are the United States, the United Kingdom and Japan. The Japanese contribution to visitor arrivals has increased steadily over the last decade, from 1.7 per cent in 1969/70 to 5.4 per cent in 1981/82, reflecting the growth of travel activity out of Japan over the last decade.

Forecasts for long-haul travel over the decade of the 1980s indicate that such travel by both United States

and Japanese citizens will decline (as a proportion of their total travel). With the current increase in long-haul travel by Australians this has unfavourable implications for visitor arrival numbers in New Zealand. (These three countries currently account for 66 per cent of visitor arrivals.) Of the major origin countries, only the United Kingdom, currently accounting for 8 per cent of arrivals in New Zealand, is forecast to show an increasing propensity for long distance travel over the next decade.

As touched upon earlier, the majority of visitors state their purpose of visit as being tourism, and the travel characteristics of such visitors are quite distinct from those who identify the purpose of their visit for example as being business, or education. In 1980/81 60 per cent of visitors who classified the purpose of their visit as being for holiday or vacation remained more than two weeks. Of those who travelled for business reasons only 20 per cent remained in New Zealand for at least two weeks.

The seasonality of tourist flows poses something of a problem through over- and under-utilisation of facilities at various times of the year. Weather conditions place some constraints on the tourist season but, within New Zealand, more important are tradition and institutional restrictions on holiday times which dictate that domestic tourist activity will peak during school holiday periods and international tourist activity during the summer months.

VISITOR DEPARTURES

In 1980/81 (table 1) the number of New Zealand residents leaving as short-term departees numbered 451,300, an increase of 5.7 per cent over the previous year, while in 1981/82 the number had declined by 7.1 per cent to 419,758. Tourist departures in 1980/81 represented 81 per cent of total short-term New Zealand resident departures, yet only ten years earlier the corresponding figure was 47 per cent. The trend in departure numbers has approximated the trend in visitor arrivals, but the changes in growth rates have been more volatile. New Zealand resident short-term departure numbers grew on average by 21 per cent per year in the period 1972-1975. In the three year period 1978-1981 the average yearly rate of growth surged to 20.4 per cent, although this growth slowed appreciably in 1980/81 (March year) and then declined in absolute terms in 1981/82. Even so, New Zealanders have long shown a high propensity to travel, with some 1 in 7 of the population currently departing each year. The decline shown in 1981/82 may signal a reaction to lower real disposable incomes, the rising cost of external travel and the effects of the devaluation of New Zealand's currency relative to other major currencies.

Australia is by far the most popular destination (57 per cent of departures in 1980/81) followed by the United States of America (9.6 per cent), the United Kingdom (8.3 per cent) and Fiji (6.9 per cent). Preliminary figures for 1981/82 indicate that departures to Australia as a proportion of total New Zealand resident short-term departures declined to 52 per cent. In 1980/81 slightly under 40 per cent of those departing were over the age of 45, and 52 per cent remained away for between one and three weeks. A further 26 per cent remained away for between one and six months. Monthly departure statistics for 1980/81 reveal that 47 per cent of departures occurred in the winter months of May, June, July and August. The only other month to display a relatively high number of departures was, not

surprisingly, December.

Net visitor flows (table 1) reflect the growth in departures of New Zealand short-term travellers relative to arrivals of foreign visitors. With arrivals increasing by 22 per cent and departures 54 per cent since 1976/77, a net inflow of only 12,156 was recorded in 1980/81, just five years after a peak inflow of 143,928 was recorded. However, in 1981/82 the net inflow has again increased to 53,123.

TRAVEL RECEIPTS AND PAYMENTS

As indicated previously, expenditure by tourists in New Zealand is an important guide to the economic significance of the industry. Consequently, the Travel Receipt figure produced by the Reserve Bank as part of its overseas exchange transactions statistics is often quoted as an indicator of the size of the international tourism segment of the tourist sector. To do so may be misleading. Travel receipts cover overseas currency spent in New Zealand by visitors on accommodation, entertainment, other services and goods. Visitors are defined as all visitors with the exception of immigrants (emigrants in the case of payments) and includes tourists, businessmen, people performing in Arts, Sport and Entertainment and any other visitors not contemplating permanent residence.

The travel receipts figure is not designed as an indicator of the size and rate of growth of the international tourist sector. Its function is to indicate the amount of foreign exchange earned by New Zealand through the invisible receipts category of travel. A figure is derived via monthly transactions through the banking system and because certain inconsistencies can occur between the recorded figure and total tourist expenditure, the figure produced will not be a perfectly accurate indicator of international tourist expenditure. At the same time, however, it is probably fair to say that an increase in tourist arrivals or departures is likely to be associated with an increase in travel receipts or payments respectively. Ideally a new data series should be generated which is both statistically sound and realistically accurate in its portrayal of the economic significance (in monetary terms) of both the international and domestic tourist sectors. Such a task may only be achieved through an extensive survey of each sector.

Travel Receipts (table 2) have shown strong growth over the last decade. They have increased from \$30 million in 1970, or 17.5 per cent of total invisible receipts, to \$290 million in 1981, or 19.6 per cent of the total. As a proportion of total invisible receipts, travel receipts have declined in importance from the peak of 24.8 per cent recorded in 1976. The rate of change in receipts was most pronounced from 1973-1976, with an average rate of increase of 37 per cent per annum. It is difficult to reconcile travel receipt changes with visitor arrivals because of unknown variables such as average length of stay, average expenditure/person/day and timing differences. It is likely though that the relatively slower rate of growth in receipts levels in the latter half of the 1970s to some degree reflects the slowdown in the rate of visitor arrivals over the corresponding period.

Growth in Travel Payments (table 3) has also been strong over the last decade and this category has consistently been one of the largest contributors to total invisible payments. As well as increasing strongly in nominal terms, from \$48 million in 1969 to \$632 million

TABLE 2
(Year ended December)

Year	Travel, Private and Business (excl. Fares) Receipts	Annual Percentage Change	Total Invisible Receipts	Annual Percentage Change	Travel as a % of Total Invisible Receipts
1969	23.8		151.3		15.7
1970	30.0	+ 26.1	171.8	+ 13.5	17.5
1971	42.1	+ 40.3	239.8	+ 39.6	17.6
1972	51.2	+ 21.6	295.3	+ 23.1	17.3
1973	72.5	+ 41.6	397.0	+ 34.4	18.3
1974	94.5	+ 30.3	462.9	+ 16.6	20.4
1975	130.4	+ 38.0	560.7	+ 21.2	23.3
1976	157.1	+ 20.5	632.7	+ 12.8	24.8
1977	162.4	+ 3.4	742.0	+ 17.3	21.9
1978	161.8	- 0.7	772.7	+ 4.1	20.9
1979	186.4	+ 15.2	923.4	+ 19.5	20.2
1980	219.4	+ 17.7	1181.0	+ 27.9	18.6
1981	290.3	+ 32.3	1478.7	+ 25.2	19.6

TABLE 3
(Year ended December)

Year	Travel Payments	Annual Percentage Change	Total Invisible Payments	Annual Percentage Change	Travel as a % of Total Invisible Payments
1969	48.4		347.3		13.9
1970	60.0	+ 24.0	374.7	+ 7.9	16.0
1971	70.0	+ 16.7	418.7	+ 11.7	16.7
1972	93.6	+ 33.7	492.5	+ 17.6	19.0
1973	132.5	+ 41.6	603.6	+ 22.6	22.0
1974	178.3	+ 34.6	748.5	+ 24.0	23.8
1975	185.6	+ 4.1	946.3	+ 26.4	19.6
1976	234.3	+ 26.2	1246.2	+ 31.7	18.8
1977	293.6	+ 25.3	1566.5	+ 25.7	18.7
1978	362.9	+ 23.6	1771.6	+ 13.1	20.5
1979	489.8	+ 35.0	2170.7	+ 22.5	22.6
1980	554.0	+ 13.1	2614.9	+ 20.6	21.2
1981	631.7	+ 14.0	3243.9	+ 24.1	19.5

in 1981, the category has also increased markedly its share of total invisible payments from 13.9 per cent to 19.5 per cent in the corresponding years.

It should be noted that there is no direct economic inter-relationship between overseas earnings and spending on tourist travel and it is not valid to identify a 'balance of travel'. Concern over the failure to obtain sufficient foreign tourist expenditure, to balance the spending by New Zealand tourists overseas is, in isolation, insufficient justification for special treatment of the tourist sector and its development in preference to alternative sectors.

THE SIGNIFICANCE OF TOURISM

The tourism industry comprises specific activities, wholly committed to serving travellers, inter-related with partial contributions from a multitude of other industry sectors within the economy. Both the inputs and outputs of the tourist industry have an influence on the economic, social and ecological aspects of a country. The social effects of tourism on the country become apparent through its concentrated regional impact. Such concentration can also have ecological consequences with the over-utilisation of publically

supplied tourist facilities such as beaches and national parks. It can also have ecological benefits when the tourist industry becomes the focus for protecting national resources of lakes and rivers in their natural state. From an economic viewpoint, the impact of tourism is likely to be significant in a small number of industries and to have less pronounced indirect effects across a much wider range of industries.

A comprehensive study of the linkages in the tourist industry with other industry groups using an input-output analysis has recently been carried out.¹ This method is designed to take account of the interdependence of the various industries in the economy by its recognition that the inputs and outputs of one industry are the outputs and inputs of other industries. The study utilised the latest official New Zealand Input-Output table of 1976/77 within which many of the industries or subsectors which are of particular interest in connection with tourism are submerged into larger groupings but which for this purpose needed to be identified and specified separately. A tourism orientated input-output model was produced albeit under the constraint of an inadequate amount of reputable data concerning all aspects of the tourism industry, in particular data relating to capital input requirements, expenditure levels and output trends. Bearing in mind the limitations to the study arising from the data base and the technique used, the results indicate that tourism, especially international, in comparison to the agricultural, manufacturing and non-tourism service export sectors, is: a relatively high capital user; a relatively high labour user or employment generator; a relatively low import user; and a relatively high net foreign exchange earner.

The results also indicated that tourism had its major effect on the following sectors within the economy: manufacturing, restaurants and hotels, road and air transport, land and private services.

The results give a broad understanding of the inter-relationships and effects of tourist expenditure within the economy. They reveal also the definitional problem in specifying a separately identifiable entity called the tourist industry, and thus the difficulties of data collection.

(1) Business and Economic Research Limited: *Economy-Wide Implications of the Tourist Industry 1982*.

CONCLUSION

The economic conditions experienced through the decade of the 1970s have had significant implications for the tourism industry worldwide. From a strong rate of growth in activity through the late 1960s and early 1970s, the industry, affected by various economic and social influences, has reverted to a more moderate rate of growth in the late 1970s. The tourist industry within New Zealand has paralleled this trend but in a more pronounced manner. The industry went from a peak rate of growth in arrival numbers in the mid 1970s to relatively small increases in the early 1980s.

There is no doubt that travel has become an integral part of the way of life of many people and because of this the future for the worldwide industry is likely to be bright, with considerable untapped scope for expansion. How well the New Zealand tourism industry performs in terms of retaining or increasing its share of the world industry, depends on a number of factors. Some of these are common to all countries, some are unique to New Zealand and not all of which lie within the industry's control. The relative performance of the New Zealand economy and the policy measures implemented in response to this performance are exogenous variables to which the industry must adjust. The changing travel patterns of the important Australian tourist as well as changing trends in travel by other major and minor origin countries will have substantial implications for the New Zealand industry.

To some extent, such factors are exogenously as well as endogenously influenced, and the industry needs to be aware of the variables within its control which can be adjusted so as to favourably influence these trends. Within the industry continued adjustment and innovation is necessary in order to meet the demands of rising energy prices, increased competition and a better informed and possibly ethnically different customer. Increased emphasis on development of the more important domestic sector in the future will have beneficial side effects on growth in the international sector, but attention to the specific requirements of the latter must also continue. Of importance is the investment of time, energy and capital in generating a sound accurate data base relating to all aspects of the industry. With this established, the task of formulating appropriate plans and policies for the 1980s and beyond will be made much simpler; the prospects for the industry more assured.