



Queensland
Government

Valuing Tourism Project

Presentation to Tourism Futures
Conference

October 2005



Overview

- Research collaboration with TQ
- Project Components
- Why a CGE model of Tourism?
- Scope of modelling
- Issues that could be modelled
- Dynamic CGE modelling
- Insights from dynamic CGE results
- Economic contribution



The Valuing Tourism Project

- Task 1. Estimation of tourism and other traveller expenditure :
 - In Queensland
 - By Queenslanders travelling interstate and overseas
- Task 2. Estimation of the direct contribution of tourism and other traveller's expenditure to the Queensland economy.
 - Employment; and
 - Gross State Product by industry



The Valuing Tourism Project

- Tasks 4 & 5 : same as tasks 1 & 2 but with a regional dimension.
- Task 3 : Model development
 - comparative-static model: QGEM-T
 - recursive-dynamic model: QGEMF-T



Why a CGE model of Tourism?

- Assist Policy Analysis
 - ‘what-if’ scenario analysis
 - Provides quantitative estimates to assist Government planning and decision making
- Incorporates tourism expenditure & behaviour within broader economy
- Tourism impacts on broader economy
- Economy-wide impacts on tourism

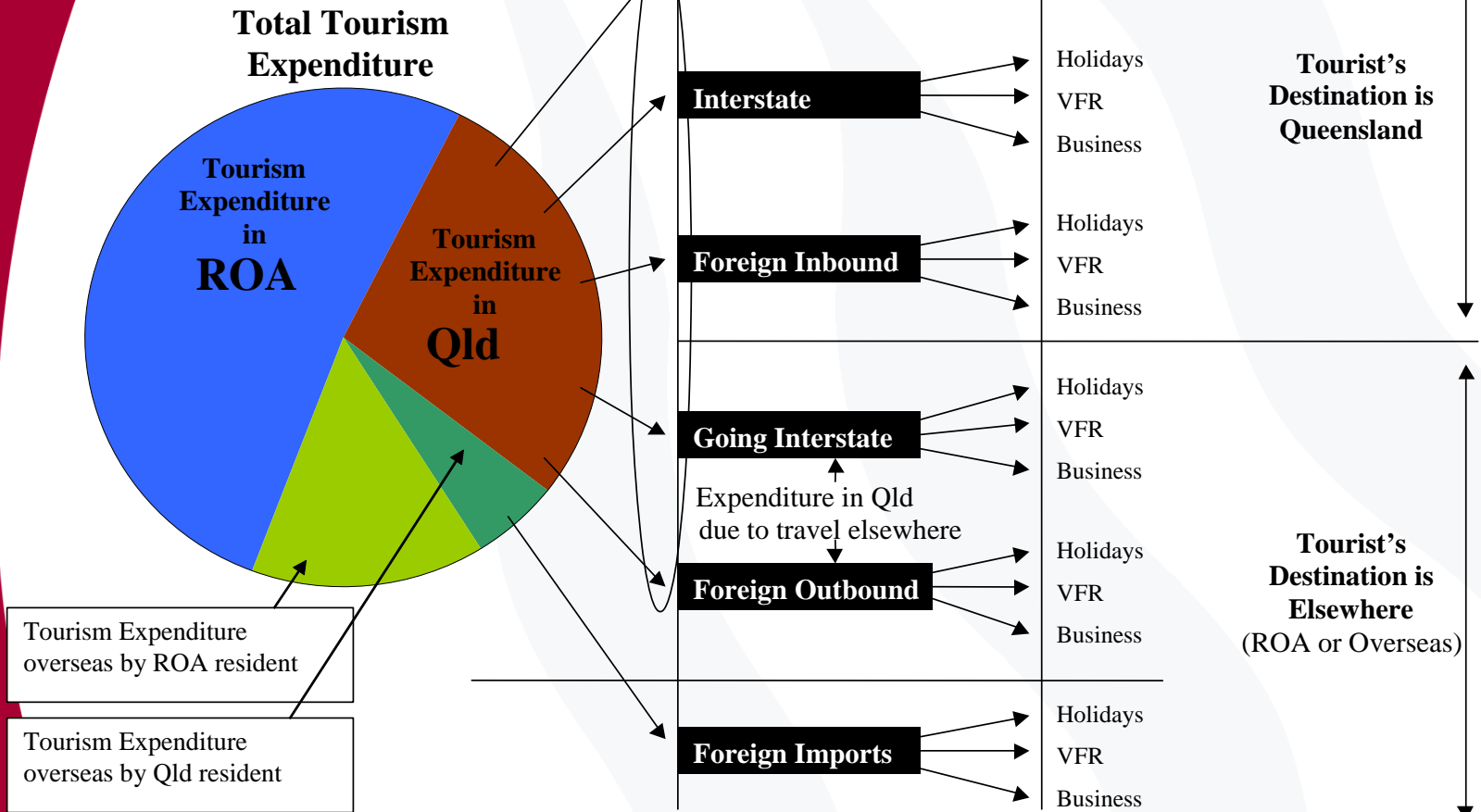


Scope of modelling

- We explicitly model overnight visitor expenditure for:
 - Holidays
 - VFR
 - Business
- Day-visitor and overnight visitor expenditure for 'other' are not *explicitly* modelled
- They are included in the non-tourism section of the model



Queensland Example





What is not in QGEMF-T

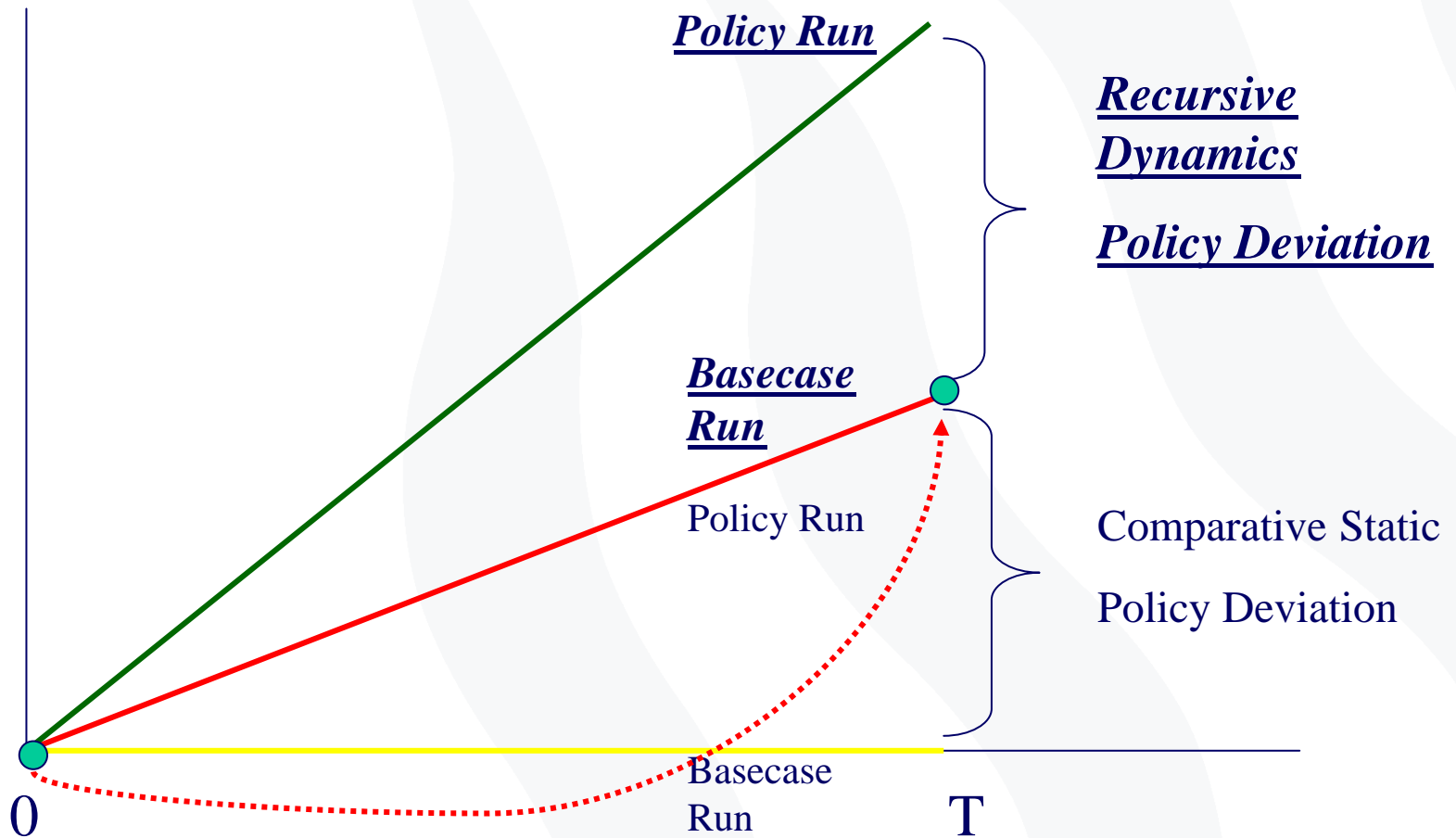
- Not distinguishing foreign tourists by source country
- Not distinguishing foreign or domestic tourists by expenditure profile
- No disaggregation across Qld regions
- Not distinguishing between 5-Star and 3-Star accommodation
- Not forecasting tourism demand



Issues that could be modelled

1. Impact of foreign exchange rate changes
2. Downturn in the Japanese economy
3. Increasing Oil/Fuel prices
4. Australian Airlines base in Cairns
5. Virgin Blue
6. GST on pre-paid packages tours and Foreign exp
7. Global warming / Reef bleaching
8. Cruise shipping – impact of new terminals
9. Education changes – away from hospitality industry
10. Technological Changes

Recursive Dynamic vs Comparative Static Modelling

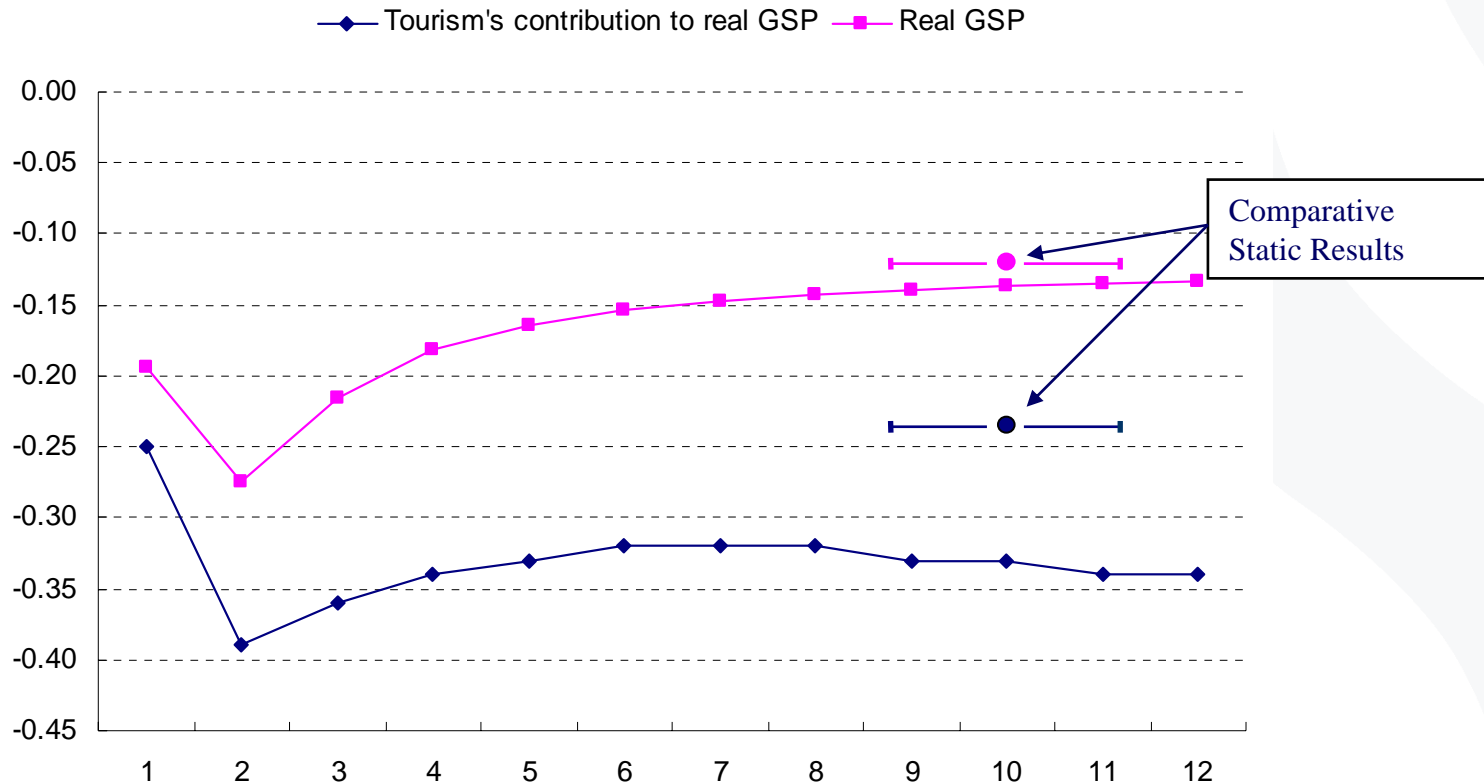


Why move from Comparative to Dynamic modelling?

- Credibility
- Analysis of policy phase-in period
- Allows a sequencing of policy shocks
- Analysis of short-run adjustment effects
- Cumulative-story is essential to the analysis
 - eg. SR costs versus LR gains \Rightarrow NPV

Tourism's Contribution to Change in Real GSP

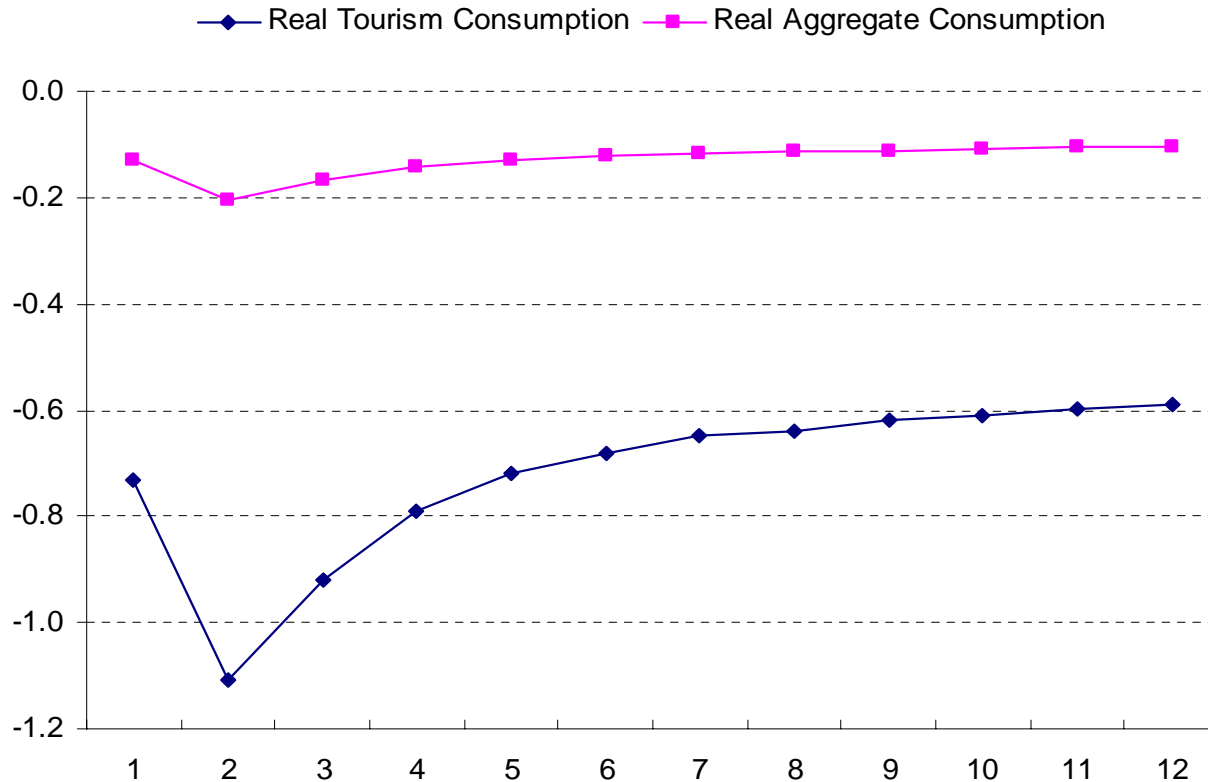
(cumulative % deviation from basecase)



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Tourism and Aggregate Consumption

(cumulative % deviation from basecase)



Source: QGEMF-T simulation

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Economic Contribution

- Tourism expenditure
- Tourism's economic contribution
- GSP: Income or Expenditure estimate
- Comparison of various estimates: refer to Appendix C, Table C.1 in OESR report

Comparison of Tourism estimates (\$million in current prices)

	Tourism Categories			
	Overnight Interstate	Overnight Intrastate (a)	International	Outbound
OESR contribution report (1998-99 estimates)				
Tourism expenditure	4705	4435	3039	415
Tourism contribution to GSP at factor cost	1590	1478	1040	112
QGEMF-T database (1996-97 estimates)				
Tourism contribution to GSP at factor cost	1328	1040	981	147



Economic Contribution

QLD Tourism contribution estimates:

- INclude value of Qld-sourced purchases
- EXclude value of imported purchases

Missing elements

- Qld goods & services sold to foreigners visiting RoA; and
- Taxes & margins applied to imports purchased by foreigners visiting Qld



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