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Measuring the Travel Industry in New Mexico

Editor's Note: The following article was written for ***New Mexico Business*** *by Paulius (Paul) Narbutas, an economist at the New Mexico Department of Tourism. Mr. Narbutas' discussion of the state's travel sector addresses various measurement issues—shortcomings of the usual ways the industry is measured and the advantages of a new approach.*

A traditional way to measure the health of the travel industry is to track the change in lodging employment, which almost exclusively caters to visitors. However, this employment indicator can mislead us, even at the gross level of simply describing whether the industry is up or down. Let us consider the end of 2001 as an example. From the 2002 Benchmark Release of nonagricultural wage and salary employment by industry, we observe that lodging employment in the fourth quarter of 2001 was down 0.5% from the fourth quarter of 2000. This is an expected result considering that the quarter consisted of the months immediately following the tragedy of September 11. Air travel had been severely disrupted and most forecasts indicated that travel would suffer in the near term. Was travel really down in that quarter?

According to a national travel survey, TravelScope™, overall destination/overnight travel[1] in the fourth quarter of 2001 was actually up 2.2% from the same quarter of a year earlier. TravelScope™ is a national travel survey conducted by the Travel Industry Association of America (TIA), the largest trade association for the travel industry in the United States. Briefly, a survey is mailed to 25,000 members of a consumer panel, chosen to statistically represent the demographics of the U.S. population, each month. Information is collected about both the visitor characteristics and trip characteristics. Knowing whether the primary purpose of the trip was business or leisure is critical to explaining why lodging employment went down while travel went up in the same period.

When air travel was so radically interrupted and capacity reduced at the end of 2001, business travel declined dramatically. New Mexico was no exception since this segment decreased 19.2% in the fourth quarter of 2001 compared to 2000. Those lodging establishments that derive a significant portion of their revenue from business travel declined as well. The lower lodging employment numbers can be traced to this event. However, business travel only accounts for 21-26% of all travel in New Mexico each year. The bulk of travel is for leisure purposes and this segment grew 6.1% in the fourth quarter of 2001. What was driving this increase in leisure travel?

Table 1
Percent of New Mexico Visitors by Primary Purpose of Trip* 2001

Purpose of Trip	Percent
VFR[1]	34.6%
Outdoor recreation	8.9%
Entertainment	14.8%
Convention/seminar	4.1%
Business	14.8%
Business/pleasure comb.	5.8%
Personal	12.6%
Other	4.4%

* Excludes "no answer" since the total is based only on those answering.
1 VFR means visiting friends and relatives.
Source: Travel Industry Association, TravelScope™.

VFR is a travel industry term that means "Visiting Friends and Relatives". This segment of the market represents 32-37% of all travel (not just leisure travel) in New Mexico each year. See Table 1 for 2001 data. By itself, it can be more than double the entire business travel market and the VFR segment spurted forward 8.1% in the fourth quarter of 2001. In October 2001, a group of more than 40 travel researchers from state travel offices (including the New Mexico Department of Tourism) gathered around a table at a conference to compare notes on recent events. The consensus forecast was that the upcoming Thanksgiving and Christmas would see an unusual surge in VFR travel because of people's need to be closer to family in the aftermath of September 11. Besides the New Mexico results noted above, TravelScope™ also showed that the same thing happened in Arizona and Colorado that quarter, but not in Utah. This surge explains the overall increase in travel in late 2001. However, business travelers predominantly stay in hotels or motels while most visitors who choose to stay in a private home are those in the VFR market. Therefore, one does not expect increases in VFR to translate into increases in lodging employment.

We have seen how increased travel and declining lodging employment could still be consistent with each other. What of other commonly used measures in the travel industry? Many in the travel industry are especially fond of using the lodging occupancy rate. This is nothing more than a direct relation between demand and supply. Out of the total number of lodging rooms available for a given evening, or month, we determine what percentage was actually occupied, i.e., the occupancy percentage. In a static environment, with no new construction of lodging properties, the supply is stable and changes in demand are clearly identified. However, when new properties are rapidly being built, demand can rise while the occupancy percentage goes down. For example, until a few years ago, the Town of Taos had a moratorium on building new lodging. When the Town finally lifted the moratorium, a building boom ensued. Using figures of room nights available and occupied from the Rocky Mountain Lodging Report, the first two years after the moratorium was lifted saw an increase of room nights available of about 100%. The room nights occupied, the demand, increased during the same period by about 40%. The resulting large drop in occupancy percentage in Taos hides the actual increase in demand that was observed.

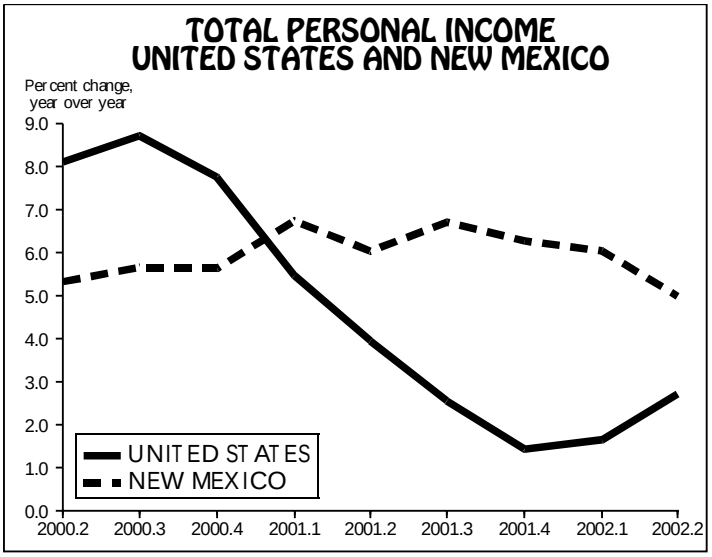
Another common indicator is the employment in eating and drinking places. Certainly, visitors away from home have to find a place to eat and the restaurant industry reflects these choices, however, does anyone really know what percentage of restaurants'

(continued on page 7)

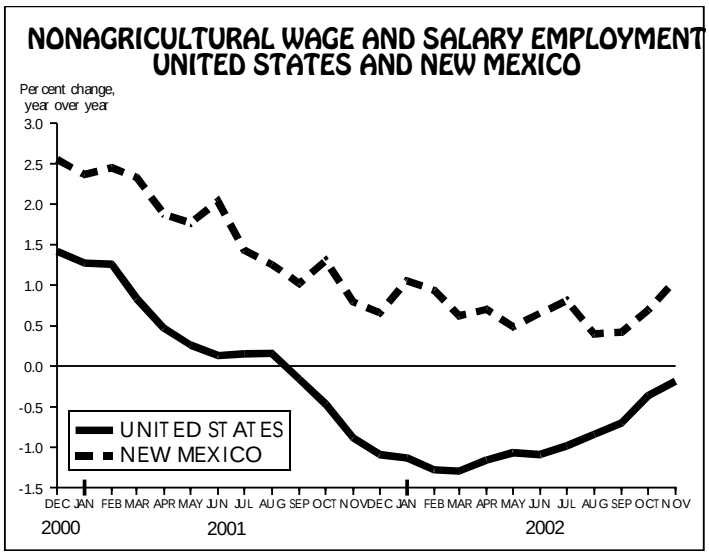
1. In this instance, travel refers to person trips, i.e., the unduplicated count of individual visitors per trip.

CURRENT NEW MEXICO AND U.S. ECONOMIC INDICATORS

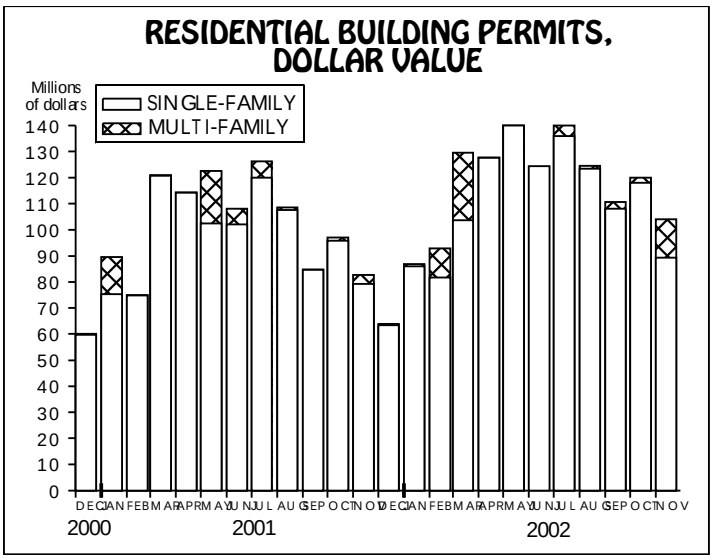
TOTAL PERSONAL INCOME UNITED STATES AND NEW MEXICO



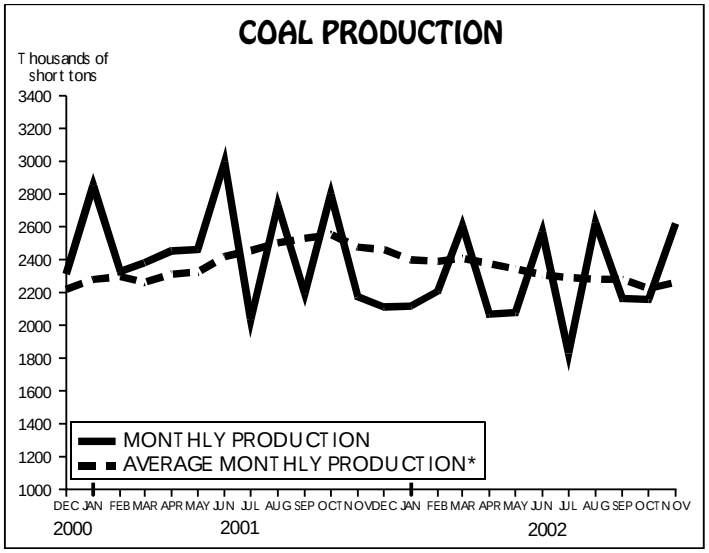
NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT UNITED STATES AND NEW MEXICO



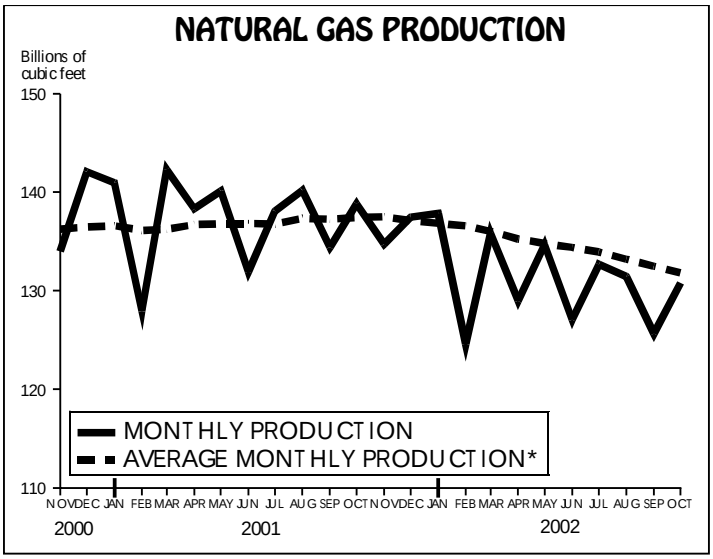
RESIDENTIAL BUILDING PERMITS, DOLLAR VALUE



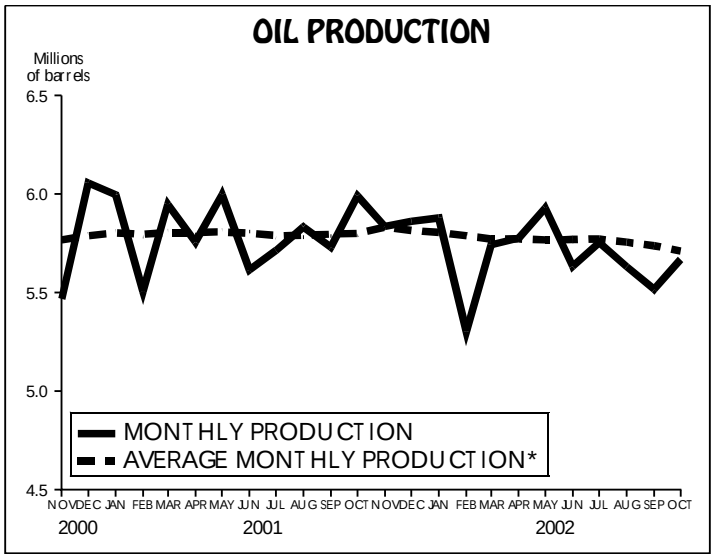
COAL PRODUCTION



NATURAL GAS PRODUCTION



OIL PRODUCTION



*** 12 month moving average. For example, the point for Dec. 2002 represents an average of data from Jan. 2002 through Dec. 2002.**

U.S. ECONOMIC INDICATORS

	Current		% Chg. Year	Previous Mo./Qtr.
Consumer Price Index (1982-84=100)	**Mo./Qtr.**	**Data**	**Ago**	**Data**
All Urban Consumers				
All items	Nov 02	181.3	2.2	181.3
Food and Beverages	Nov 02	177.4	1.3	177.1
Housing	Nov 02	181.2	2.4	181.4
Apparel and Upkeep	Nov 02	125.5	-2.0	126.8
Transportation	Nov 02	155.2	3.3	154.9
Medical Care	Nov 02	290.5	5.0	289.2
Other Goods and Services	Nov 02	295.6	2.2	295.4
Urban Wage Earners and Clerical Workers				
All Items	Nov 02	177.4	2.1	177.3
Gross domestic product[1] ($Bil. constant)	Q3 02	$9,485.6	3.3	$9,392.4
Prime interest rate[2] (% per annum)	Nov 02	4.3	-15.0	4.8
Mortgage interest rate[3] (% per annum)	Nov 02	6.1	-8.3	6.1
3 month treasury bill[4] (% per annum)	Nov 02	1.3	-34.7	1.6
Industrial production[5] (1992=100)	Nov 02	110.8	1.8	110.7
Manufacturers new orders[5] ($Bil.)	Oct 02	$321.5	-0.1	$317.7

Note: Selected data items subject to revision.
1 1996 dollars at seasonally adjusted annual rates.
2 Closing rate for month.
3 Effective rate (in the primary market) on conventional mortgages reflecting fees and charges as well as contract rate and assumed, on the average, repayment at end of 10 years.
4 Rate on new issues within period; bank discount basis.
5 Monthly data seasonally adjusted.
Source: U.S. Bureau of Labor Statistics, consumer price index data; U.S. Council of Economic Advisors, *Economic Indicators*, all other data.

NEW MEXICO AND U.S. ECONOMIC INDICATORS

		New Mexico			United States		
	Current Mo./Qtr.	Current Mo./Qtr. Data	% Chg. Year Ago	Previous Mo./Qtr. Data	Current Mo./Qtr. Data	% Chg. Year Ago	Previous Mo./Qtr. Data
Employment (000)	Nov 02	818.7	2.0	817.4	134,358	0.0	135,237
Unemployment rate (%)	Nov 02	5.6	-	5.7	5.7	-	5.3
Nonagricultural employment (000)	Nov 02	769.7	1.1	767.7	131,845	-0.2	131,787
Personal income [1] ($Mil.)	Q3 02	$44,774	4.8	$44,290	$8,984,227	3.3	$8,904,317
Housing units permitted							
Single	Nov 02	709	16.0	878	94,800	6.3	121,800
Multi	Nov 02	327	284.7	42	29,700	-15.6	37,700

Note: Selected data items subject to revision.
1 Quarterly data seasonally adjusted at annual rates.
Sources: New Mexico Dept. of Labor and U.S. Bureau of Labor Statistics, employment and unemployment data; U.S. Dept. of Commerce, Bureau of Economic Analysis, income data; U.S. Dept. of Commerce, Bureau of the Census and individual permit-issuing agencies, construction data.

NEW MEXICO ECONOMIC INDICATORS

	Current Mo./Qtr.	Current Data	% Chg. Year Ago	Previous Mo./Qtr. Data	% Chg. [1] 12 Month Averages
1. GENERAL					
Civilian labor force[2] (000)	Nov 02	867.3	2.9	866.5	2.4
Total employment[2] (000)	Nov 02	818.7	2.0	817.4	1.1
Unemployment[2] (000)	Nov 02	48.6	19.1	49.0	29.9
Unemployment rate (%)	Nov 02	5.6	-	5.7	-
Weekly new unemployment insurance claims	Nov 02	1,447	-4.0	1,586	20.4
Nonagricultural wage/salary employment[3] (000)	Nov 02	769.7	1.1	767.7	0.7
Personal income[4] ($ mil.)	Q3 02	$44,774	4.8	$44,290	5.5
2. AGRICULTURAL RECEIPTS					
Livestock and products ($ mil.)	Sep 02	$123.6	-10.4	$120.1	-2.1
Crops ($ mil.)	Sep 02	$51.3	13.0	$55.8	7.1
Total ($ mil.)	Sep 02	$174.9	-4.6	$175.9	0.2
3. MINING					
Employment[3] (000)	Nov 02	14.3	-12.3	14.5	-7.4
Average hourly earnings ($)	Nov 02	$15.44	-0.1	$15.68	-1.8
Coal production (000 short tons)	Nov 02	2,620	20.5	2,158	-8.7
Oil sales ($ mil.)	Oct 02	$155.3	28.3	$159.2	-13.0
Gas sales ($ mil.)	Oct 02	$370.0	46.3	$337.8	-46.4
4. CONSTRUCTION					
Employment[3] (000)	Nov 02	44.8	-2.4	45.3	-2.6
Average hourly earnings ($)	Nov 02	$15.05	1.8	$15.14	-2.6
Residential units permitted	Nov 02	1,036	48.9	920	16.9
Residential building permits ($ mil.)	Nov 02	$104.1	26.0	$119.8	15.7
Residential construction contracts ($ mil.)	Nov 02	$93.0	48.6	$119.5	17.5
Nonresidential construction contracts ($mil.)	Nov 02	$72.6	227.0	$68.3	-9.9
Nonbuilding construction contracts ($ mil.)	Nov 02	$16.6	-93.8	$47.0	-2.2
5. TRANSPORTATION/COMMUNICATION/UTILITIES					
Employment[3] (000)	Nov 02	35.7	-5.3	35.6	-2.1
Communications average hourly earnings ($)	Nov 02	$20.05	3.9	$20.03	1.1
Utilities average hourly earnings[5] ($)	Nov 02	$22.31	3.7	$22.20	3.0
6. MANUFACTURING					
Employment[3] (000)	Nov 02	39.3	-6.2	40.4	-3.7
Average hourly earnings ($)	Nov 02	$14.05	1.4	$13.91	0.5
Electric & electronic eqp. employment[3] (000)	Nov 02	9.3	-7.0	9.4	-4.8
Transportation equipment employment[3] (000)	Nov 02	1.6	-23.8	1.6	-13.6
Food & kindred products employment[3] (000)	Nov 02	5.2	-1.9	6.2	3.6
Textile & apparel employment[3] (000)	Nov 02	0.5	-16.7	0.5	0.0
Lumber & wood products employment[3] (000)	Nov 02	1.4	0.0	1.5	7.1

To comply with the American Disability Act and the Rehabilitation Act of 1973
this publication can be provided in an alternate format.

NEW MEXICO ECONOMIC INDICATORS (continued)

	Current Mo./Qtr.	Current Data	% Chg. Year Ago	Previous Mo./Qtr. Data	% Chg.[1] 12 Month Averages
7. TRADE					
Wholesale employment[3] (000)	Nov 02	26.5	0.4	26.7	-0.7
Retail employment[3] (000)	Nov 02	151.1	1.8	149.5	0.3
Average hourly earnings ($)	Nov 02	$10.30	3.8	$10.10	3.9
8. FINANCE/INSURANCE/REAL ESTATE					
Employment[3] (000)	Nov 02	32.8	0.6	32.6	0.6
Depository institutions employment[3] (000)	Nov 02	9.6	0.0	9.4	0.3
Bank average hourly earnings ($)	Nov 02	$11.11	4.8	$11.02	4.8
Insurance employment[3, 6] (000)	Nov 02	9.7	1.0	9.7	0.7
Real estate employment[3] (000)	Nov 02	7.0	-1.4	7.2	-0.9
9. SERVICES AND TOURISM					
Total service employment[3] (000)	Nov 02	230.4	3.9	229.4	1.8
Lodging employment[3] (000)	Nov 02	13.6	2.3	13.8	-1.4
Eating & drinking places employment[3] (000)	Nov 02	58.5	2.1	58.9	0.7
Visits to state parks (000)	Nov 02	131.1	-12.8	176.5	0.4
Visits to national parks/monuments (000)	Nov 02	83.0	-19.8	137.3	-0.6
Passenger traffic at Albuquerque airport[7] (000)	Nov 02	447.2	-6.3	538.4	-2.5
Lodgers tax receipts ($ 000)	Q2 02	$7,355.5	15.3	$5,152.0	6.3
Lodging occupancy rates (%)	Nov 02	51.1	-2.3	68.0	4.6
10. GOVERNMENT					
Total government employment[3] (000)	Nov 02	194.8	2.1	193.7	3.1
Federal employment[3] (000)	Nov 02	30.6	2.7	30.5	3.4
State employment[3] (000)	Nov 02	66.9	3.4	66.7	2.1
Local employment[3] (000)	Nov 02	97.3	1.1	96.5	3.7
Total general fund revenues[9] ($ mil.)	Nov 02	$250.3	-5.7	$329.9	-4.0

Note: Selected data items subject to revision.
N Not available.
1 For example in the report that contained October 2002 figures this would be the percent change in the average of November 2000 to October 2001 data versus the average of November 2001 to October 2002 data.
2 Number of persons by place of residence.
3 Number of jobs by place of work.
4 Quarterly data seasonally adjusted at annual rates.
5 Does not include transportation.
6 Includes carriers and agents.
7 Passenger traffic includes enplanements and deplanements.
8 This figure includes full and part time employment at Los Alamos National Laboratory (LANL).
9 Includes recurring and non-recurring revenues.
Sources: New Mexico Department of Labor, Sections 1, 3, 4, 5, 6, 7, 8, 9, 10; U.S. Dept of Commerce, Bureau of Economic Analysis, Section 1; USDA Statistical Reporting Service, Section 2; New Mexico Taxation and Revenue Dept., Section 3; U.S. Dept. of Energy, Energy Information Admin., Section 3; U.S. Dept. of Commerce, Bureau of the Census and individual building permit-issuing agencies, Section 4; F. W. Dodge Co. (a division of McGraw Hill Inc.), Section 4; New Mexico Energy Minerals and Natural Resources Dept. Park and Recreation Div., Section 9; U.S. National Park Service, Section 9; City of Albuquerque, Albuquerque International Sunport, Section 9; New Mexico Dept. of Finance and Admin., Local Government Div., Section 9; Rocky Mountain Lodging Report, Section 9; New Mexico Dept. of Finance and Admin., Section 10.

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ECONOMIC INDICATORS FOR CITIES AND COUNTIES

Taxable Gross Receipts[1] from Retail Trade, Selected Cities ($000)

City	Current 3 Month Average[2] Sep-Nov	% Chg. Average Year Ago	Previous 3 Month Average[2] Jun-Aug	City	Current 3 Month Average[2] Sep-Nov	% Chg. Average Year Ago	Previous 3 Month Average[2] Jun-Aug
Alamogordo	$18,912	-2.1	$20,510	Las Cruces	$63,964	7.2	$63,061
Albuquerque	366,111	3.9	358,017	Las Vegas	9,676	0.8	11,019
Artesia	6,112	-12.0	7,524	Los Alamos	7,692	7.5	7,700
Carlsbad	15,261	-10.1	19,321	Portales	6,772	-2.6	7,304
Clovis	21,610	0.7	24,676	Rio Rancho	17,133	3.2	18,100
Deming	7,206	4.8	8,457	Roswell	26,079	4.3	27,330
Espanola	13,853	4.4	14,179	Ruidoso	7,826	-1.3	8,653
Farmington	58,493	4.7	61,365	Santa Fe	98,817	1.0	100,439
Gallup	29,876	5.8	31,010	Silver City	11,463	-0.7	12,217
Hobbs	21,841	-2.1	23,679	Taos	14,450	-4.5	15,600
				State total	$1,034,214	1.1	$1,063,626

1 Previous editions of this publication showed total reported gross receipts from retail trade. These receipts were total retail sales net of exemptions. Total reported gross receipts are not net of deductions as are taxable receipts. However, taxable gross receipts are less subject to reporting errors than total reported gross receipts because of editing procedures, making taxable gross receipts a more stable economic indicator. **2** Gross receipts reported are for gross receipts tax purposes, which do not include all the receipts of all firms. **3** Retail trade is defined here according to the Standard Industrial Classification (SIC) system. **4** Averages are used to smooth out fluctuations in the data which are not caused by changes in economic conditions. **Source**: New Mexico Taxation and Revenue Dept.

Estimated Civilian Labor Force and Employment (000)

	New Mexico			Albuquerque MSA[1]			Las Cruces MSA[2]			Santa Fe MSA[3]		
	Nov.[p] 2002	% Chg. Year Ago	Oct.[r] 2002	Nov.[p] 2002	% Chg. Year Ago	Oct.[r] 2002	Nov.[p] 2002	% Chg. Year Ago	Oct.[r] 2002	Nov.[p] 2002	% Chg. Year Ago	Oct.[r] 2002
Total Civilian Labor Force	867.3	2.9	866.5	386.8	3.6	386.6	75.8	4.8	75.9	79.8	6.7	79.0
Employment[4]	818.7	2.0	817.4	367.8	2.8	366.7	71.3	5.0	71.2	77.6	6.4	76.8
Unemployment	48.6	19.1	49.0	19.0	21.0	19.9	4.5	2.3	4.7	2.2	15.8	2.2
Unemployment rate (%)	5.6	-	5.7	4.9	-	5.1	6.0	-	6.2	2.7	-	2.8
Nonagricultural Wage & Salary Employment	769.7	1.1	767.7	360.5	-0.2	360.0	60.5	2.5	60.4	77.9	3.2	77.7
Mining	14.3	-12.3	14.5	#	#	#	#	#	#	#	#	#
Contract construction	44.8	-2.4	45.3	22.1	-6.4	22.7	3.3	6.5	3.3	4.3	-4.4	4.4
Manufacturing	39.3	-6.2	40.4	25.4	-8.3	25.8	3.4	6.3	3.4	1.7	0.0	1.8
Durable goods	26.3	-7.4	26.3	19.2	-8.6	19.5	1.4	7.7	1.4	0.9	0.0	0.9
Nondurable goods	13.0	-3.7	14.1	6.2	-7.5	6.3	2.0	5.3	2.0	0.8	-11.1	0.9
Transp. & public utilities	35.7	-5.3	35.6	19.3	-4.9	19.3	2.1	0.0	2.1	1.1	0.0	1.2
Trade	177.6	1.6	176.2	85.6	0.5	84.5	12.4	2.5	12.3	15.7	4.0	15.6
Wholesale	26.5	0.4	26.7	16.0	0.0	16.0	1.4	-12.5	1.5	1.4	7.7	1.4
Retail	151.1	1.8	149.5	69.6	0.6	68.5	11.0	3.8	10.9	14.3	3.6	14.3
Finance, ins., & real estate	32.8	0.6	32.6	18.9	-3.1	19.3	2.0	5.3	2.0	3.8	2.7	3.8
Services	230.4	3.9	229.4	117.4	2.3	117.0	16.9	1.8	16.9	24.0	3.4	23.9
Government	194.8	2.1	193.7	71.8	2.1	71.4	20.4	2.0	20.4	27.3	4.2	27.1
Federal	30.6	2.7	30.5	14.0	2.2	14.0	3.5	2.9	3.5	1.6	0.0	1.6
State	66.9	3.4	66.7	23.8	3.0	23.6	8.8	0.0	8.9	18.2	5.2	18.2
Local	97.3	1.1	96.5	34.0	1.5	33.8	8.1	3.8	8.0	7.5	2.7	7.3

Mining employment included in contract construction employment in the Albuquerque, Las Cruces and Santa Fe MSA's.
p Preliminary. **r** Revised. **1** Bernalillo, Sandoval and Valencia Counties. **2** Dona Ana County. **3** Santa Fe and Los Alamos counties.
4 Includes labor disputes.
Source: New Mexico Dept. of Labor.

ECONOMIC INDICATORS FOR CITIES AND COUNTIES (continued)

New Mexico Construction[1, p] Selected Cities

	Number of Building Units or Permits[2]				Value of Building Permits ($000)			
			Cumulative Total Through Nov.				Cumulative Total Through Nov.	
	Nov. 2002	Nov. 2001	2002	2001	Nov. 2002	Nov. 2001	2002	2001
New Residential[3]								
Alamogordo	7	4	91	80	1,005	515	12,416	11,743
Albuquerque	592	257	5,408	4,653	44,680	25,251	476,983	401,141
Single Family	303	257	4,208	3,869	31,710	25,251	427,062	364,848
Multi Family	289	0	1,200	784	12,970	0	49,921	36,293
Carlsbad	6	0	37	29	920	0	4,490	3,717
Clovis	3	30	106	74	452	1,684	10,208	6,437
Farmington	11	8	105	101	1,388	1,111	13,720	12,905
Hobbs	0	0	11	10	0	0	1,635	659
Las Cruces	56	19	640	542	8,085	2,503	72,466	45,768
Los Alamos	N	11	N	123	N	1,553	N	32,521
Rio Rancho	70	27	784	440	6,287	3,321	75,390	45,546
Roswell	1	2	21	25	140	186	2,164	2,421
Ruidoso	13	19	178	150	2,821	1,710	28,720	25,459
Santa Fe	10	104	667	580	797	8,018	84,136	66,054
New Nonresidential								
Alamogordo	0	1	14	26	0	87	1,192	3,892
Albuquerque	10	3	96	114	5,931	1,599	86,547	101,891
Carlsbad	1	0	6	6	209	0	3,856	2,863
Clovis	2	0	12	3	3,589	0	7,477	625
Farmington	3	4	24	37	998	1,464	6,372	19,991
Hobbs	1	2	7	12	700	205	3,868	11,128
Las Cruces	2	1	31	33	275	327	24,296	42,607
Los Alamos	N	0	N	0	N	0	N	0
Rio Rancho	2	1	14	14	910	500	12,560	6,697
Roswell	5	7	56	73	13	197	12,827	1,289
Ruidoso	2	2	10	15	150	2,718	3,501	5,223
Santa Fe	2	4	60	63	200	1,669	21,411	25,847

N Not available. **p** Preliminary. **1** Data refer only to permits authorized for private construction projects. Public buildings are excluded. **2** Residential data shows the number of permitted units while nonresidential data shows the number of permits. **3** Residential data includes both single and multi-family units. In the case of Albuquerque single and multi-family units are also shown separately.
Sources: U.S. Dept. of Commerce Bureau of the Census and local permit-issuing agencies.

Measuring Travel Industry... (cont. from page 1)

business is travel related? In a Master's Thesis on the tourism industry in New Mexico from the UNM Economics Department in the early '80s, the student used an informal interview process to estimate that roughly a third of restaurant business was travel related.[2] The U.S. Bureau of Economic Analysis, while preparing a supplement to the nation's income and product accounts, used an estimate closer to 16%. In a June 1992 interview, the then executive vice president of the New Mexico Restaurant Association, John A. Garcia, estimated that 7-10% of restaurants' business in New Mexico was tourism related. The drawback of this indicator is that the bulk of the employment is unrelated to travel. One possible saving grace of the figure is the assumption that habits of local clients tend not to change much from period to period; therefore, real changes in patronization are likely due to visitors whose numbers do fluctuate between periods.

One more frequently used indicator is air traffic at Albuquerque International Sunport. When one looks at data on enplanements and deplanements, there is no indication of the number of passengers who are simply New Mexico residents leaving or returning from their trip. Furthermore, these figures can mask any significant changes in the mode of travel preferred by visitors. From September 11 forward, air travel has declined. Fortunately for New Mexico tourism, the drive markets dominate. Over the last ten years, 65-73% of the market drove to New Mexico and 15-19% of the market flew in. The air market has definitely not recovered in New Mexico in 2002. According to TravelScope™, the choice of transportation in the first nine months of 2002 is more lopsided than ever before. Over 75% of the market has driven in and less than 15% has flown in. Both of these nine-month figures are at the extremes, i.e., the largest drive market and the smallest air market in New Mexico during the ten-year period. In 2002, the New Mexico travel year is shaping up to be the best year for travel overall since 1995. This is the result of a booming leisure market overwhelming a weak business travel market. It is too soon to determine if this is a short-term trend or a permanent change.

Now that we've discussed some shortcomings of popular indicators used to measure the health of the tourism industry, we are ready to explore the most advanced methodology available today that was designed to provide the most credible numbers possible. This is the Tourism Satellite Account (TSA), which is a

(continued on page 8)

2. Shirley Salvi Wozniak. **The Tourist Industry in New Mexico**. Albuquerque, N.M., 1983.

Measuring Travel Industry... (cont. from page 7)

supplement to a state's Gross State Product (GSP). Industry size is measured in GSP according to what is produced; however, tourism is not something that is simply produced. Instead, the travel and tourism industry is defined by what consumers do. Napkins purchased for a trip can be tourism related, but napkins purchased for the home are not tourism related. It is the consumer's purpose for the purchase that determines the relevant industry where the production should be counted. The TSA allocates production, value-added, expenditures and employment between the tourism and travel industry and all other industries. Various data, such as consumer expenditure surveys and detailed input-output accounts, are employed to facilitate the allocations. Ultimately, the TSA creates a set of measures for travel and tourism that are consistent with measures for other industries.

The TSA is the result of the long quest for standardized statistics in the travel and tourism industry. As far back as 1937, the League of Nations first recommended a definition of an "international tourist". This led to more definitions for "visitor", "tourist", and "excursionist" at the United Nations Conference on International Travel and Tourism in Rome in 1963. A major breakthrough occurred at the International Conference on Travel and Tourism Statistics in Ottawa, Canada, in 1991. It was there that the World Tourism Organization adopted a set of resolutions that guided the search for the standards eventually approved. Finally, in April 2000, the United Nations Statistical Commission endorsed the set of resolutions on TSAs that are now the basis of the international standard.

Canada's TSA was developed in 1994, the first of its kind in the world. As a result of the White House Conference on Tourism in 1995, the Bureau of Economic Analysis published its first prototype account for the United States in 1998 and is continuing to refine it to harmonize with the present international standard.[3] In 2002 Canada had developed TSAs for each of its provinces and in the United States a handful of states now have their own TSAs as well.

Let us examine the information available in a TSA, how it's used, and how this motivates a state to implement its own TSA. Hawaii was an early adopter of this methodology. In 1996 the state reported results of the work of its contractor, the WEFA Group, using a "satellite account" method. It is critical to the method that the travel and tourism industry is measured on the same yardstick as any other industry. This allows direct comparisons among industries and helps determine where travel and tourism ranks in a state's economy. The report clearly showed that the travel and tourism industry was the state's largest industry, the largest creator of jobs, and the largest generator of tax revenue. Hawaii's motivation for this methodology goes far beyond just the size of the industry. The labor-intensive nature of the travel industry produces a formidable job creator. The report estimates that an additional $1 million of travel and tourism GSP will create 20 new jobs or 130% of the jobs created by the same GSP in the general economy.

South Carolina has also completed its TSA through the World Travel & Tourism Council, which hired WEFA as the research subcontractor. Its 1999 results showed that travel and tourism was the state's sixth largest contributor to total GSP, the fifth largest industry in terms of jobs, the third largest spending category as measured by personal consumption, and the state's second largest industry for exports. The South Carolina report incorporates forecasts into its conclusions. It notes that, worldwide, travel and tourism is a high growth activity that is expected to increase in economic activity by 4.2% a year in real terms, faster than the 3.6% growth rate in the U.S. but not as fast as South Carolina's forecast of 5.1%. An especially useful piece of data from the report is the comparison between government revenues generated by travel and tourism and government spending on the same. The report states that 8.2% of all tax revenues are from travel and tourism but only 1.9% of total government spending is allocated to travel and tourism. Furthermore, when we compare ratios of GSP to government expenditures, the South Carolina ratio is 4.2 to 1, i.e., a small allocation of government spending compared to contribution to GSP. Nationally the ratio is 2.9 to 1 and worldwide the ratio is 1.7 to 1. Such a finding can lead to a conclusion that travel and tourism is underfunded in South Carolina compared to other geographic jurisdictions. To the extent that competing states support their sectors more equitably, one may surmise that South Carolina could become increasingly non-competitive over the future time horizon.

These are the data needed by industry and government to help decision-makers determine suitable policies for the areas under their control. The TSA has not been developed for New Mexico, but when the day comes that the state is able to implement its own TSA, we can expect decision-making to be similarly enhanced.

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3. Sumiye Okubo and Mark A. Planting, *U.S. Travel and Tourism Satellite Accounts for 1992*, **Survey of Current Business**, Volume 78 No. 7 (July 1998), pp 8-22.

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