



Australian Government

**Department of Resources
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Dear Dr Kluth

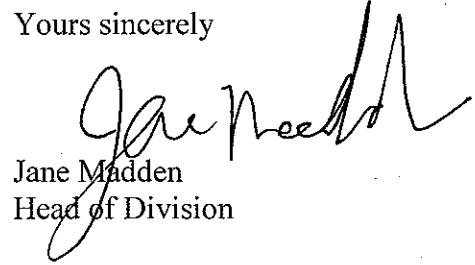
Thank you for the opportunity for the Department of Resources, Energy, and Tourism (RET) to provide a submission to the Australian Bureau of Statistics (ABS) 16th series review of the Consumer Price Index (CPI).

While tourism is not formally classified as an industry under national accounts standards, it is a 'satellite' industry that from \$90 billion in visitor consumption generates \$41 billion in GDP, almost half a million jobs, and over \$24 billion in exports. The tourism sector comprises the contribution and interaction of industries such as retail, transport, accommodation, food services, and education in the production of tourism services, many of which have varying price cycles and trends.

Tourism is a discretionary expenditure item and changes in prices can have an impact on the level of demand relative to other goods and services. The CPI provides RET and the industry an essential measure of inflation for tourism industry analysis, policy development, and program evaluation.

Please find attached RET's submission to the review. If you wish to discuss this submission, please contact Mr Wayne Calder, General Manager, National Tourism Policy, Tourism Division (6213 7060 or email: wayne.calder@ret.gov.au) or Mr Tim Quinn, Manager, Research and Statistics, Tourism Division (6213 6745 or email: tim.quinn@ret.gov.au)

Yours sincerely


Jane Madden
Head of Division

26 March 2010

cc Mr Paul Williams, Assistant Statistician, Industry and Environment Statistics Branch, ABS
cc Mr Jonathon Khoo, Director, Transport, Tourism and Local Government, ABS

Department of Resources, Energy, and Tourism submission to the Australian Bureau of Statistics 16th series review of the Consumer Price Index

The Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) provides the Department of Resources, Energy, and Tourism (RET) an essential measure of inflation for policy development, particularly tourism industry analysis, related policy development, and program evaluation.

RET believes a CPI constructed on contemporary household consumption is essential. The ABS should consider the use of alternative expenditure weighting sources for the CPI in between Household Expenditure Survey (HES) cycles moving toward a CPI whose weights are updated in line with global practices. This is particularly relevant for understanding inflation in tourism with CPI expenditure classes such as 'Holiday travel and accommodation', 'Domestic holiday travel and accommodation', 'Overseas holiday travel and accommodation', and 'Audio, visual and computing' when analysed either together or separately, provide insights into various issues as to changes in consumer preferences. RET believes the current commodity classification provides a comprehensive structure in measuring household inflation and would not encourage the ABS to change the commodity classification structure significantly, in particular on items which directly relate to tourism.

Most analyses undertaken by RET employ a trend approach. RET does not see a need for the ABS to publish a monthly nor seasonally adjusted series. RET believes current analytical measures such as the trimmed mean, weighted median, and those excluding volatile items constitute sufficient information without need for additional analytical measures.

RET encourages the ABS to maintain contemporary expenditure classes, such as 'Holiday travel and accommodation', which bundle goods and services. This is particular relevant to tourism which, as an industry, is continuously restructuring travel packages to satisfy an ever-evolving consumer and to remain competitive in global market place.

RET considers the ABS Tourism Satellite Account as the benchmark for measuring the tourism industry's direct contribution to Australia's economy. Given the differences between the Household Expenditure Classification (HEC) system and the Input-Output Product Classification (IOPC), RET would encourage the ABS develop a direct concordance between the HEC and IOPC.

Tourism comprises of a wide range of goods and services and is widely dispersed across the Australian economy. Around half of all domestic tourism expenditure is in regional areas and it is important that spatial differences between prices paid in capital cities versus regional centres are properly accounted for. RET believes that regional indexes would provide an appropriate measure of the level of inflation in regional areas and provide information on whether price pressures have an impact on issues such as industry demand.