29th Voorburg Group Meeting

Pricing travel agency and tour arrangement services

Terry Bradley – Producer Price Indexes
Introduction

- Industry overview
- Classification
- Services to be priced
- Pricing methodologies
- Challenges
Industry overview

- Australia’s travel agency and tour arrangement services industry is highly competitive
- Total output in 2009-10 is about $5.8b
- Types of businesses
  - retailers
  - wholesalers,
  - ticket consolidators
  - tour operators
- Growing online travel agency services
The output ($M) of travel agency services from Australian Input-Output Table

<table>
<thead>
<tr>
<th>IOPC</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>IOPC 72200010 - Travel agency and tour arrangement services</td>
<td>4,788</td>
<td>5,300</td>
<td>5,211</td>
<td>5,824</td>
</tr>
<tr>
<td>IOPC 72990010 - Tourist information centre operation</td>
<td>1,073</td>
<td>1,227</td>
<td>1,072</td>
<td>1,168</td>
</tr>
<tr>
<td>Total</td>
<td>5,861</td>
<td>6,527</td>
<td>6,283</td>
<td>6,992</td>
</tr>
</tbody>
</table>
Classification

- **ANZSIC 06**
  - Class 7220 – travel agency and tour arrangement services
  - Class 7299 – small part refers to tourist information centre
- **ISIC v4**
  - Class 7911 – travel agency activities
  - Class 7912 – tour operator activities
  - Class 7990 – other reservation services
Services to be priced

• National Accounts and TSA concepts
  – IRTS 08 and TSA-RMF 08
• Intermediaries in distributing travel services on behalf of producers of these services.
• May also provide add-on services
• Derive revenue from fees, commission or mark-up
• Services measured as a gross margin
Pricing methodologies

• Price concept of margin on goods
• Price concept of margin on services
• Quality adjustment issues
  - Quality of the travel services
  - Allocation of use of the travel services
Pricing methodologies (cont’d)

• The ABS’s method for retail trade margin
  - Margin price = %margin times a fixed sale volume

• Options for compiling an output price index, e.g.
  - Collect samples with all required specs
  - Use QBIS and some admin summary data
Challenges

- Pricing services provided to large business
- Pricing packaged tours
- Collecting samples
  - What to be collected
  - How to sample?
Conclusions

• Treated as distribution service or margin service

• Method similar to the ABS’s approach to pricing retail trade margin services on goods.

• Collecting useful data is a big challenge