

# Community Tourism News

Duncan, British Columbia

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## Is Tourism the World's Largest Industry?: Tourism planners need to ask a different question

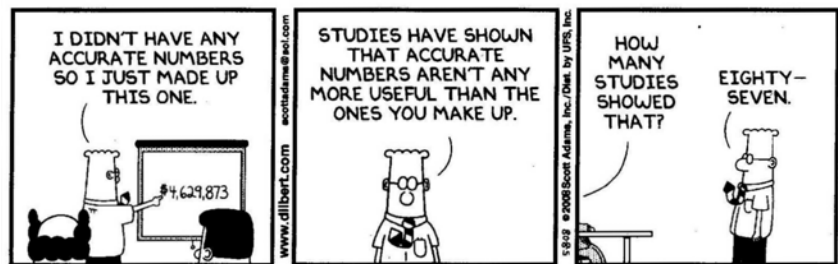
An enormous debate on whether or not tourism is the world's largest "industry" erupted several months ago in the electronic halls of tourism academia. Dr. Alan Lew, Professor of Geography at Northern Arizona University in Flagstaff, AZ, had read just one too many term papers that started with the claim that tourism was the world's largest industry. He penned a heated albeit, in this writer's opinion, justified rant examining just how this assertion is such a trivial conclusion to draw from such rich macroeconomic datasets. He sent his rant off to an electronic discussion list of tourism researchers. There were 20 odd replies to Lew's note, possibly a record for the list.

Were it not for the fact that the "tourism: world's largest industry" (T:WLI) assertion appears in many important publications, the debate would not merit further discussion. But it does and with disquieting frequency at that.

For example, in 2001 the International Institute for Environment and Development (IIED) proclaimed at a World Summit on Sustainable Development held in Johannesburg that the third-world development strategy of Pro-Poor Tourism was "Harnessing the World's Largest Industry for the World's Poor." The authors state in the first sentence of the report's Executive Summary: "Tourism is one of the world's largest industries, generating an estimated 11% of global Gross Domestic Product (GDP), employing 200 million people and transporting nearly 700 million international travellers per year

community Tourism?" Quite a bit, actually. The T:WLI assertion and the ever expanding WTTC numbers behind it, really serve only one function: justification to governments and politicians for support and investment in tourism development, marketing, and infrastructure. That's it. The assertion in its various forms is delivered to governments at all levels, from local to international, in order to secure advantageous policy decisions for the industry. "Do this because we're big and there is real economic benefit in it for you," is the crux of the argument.

### ET CETERA DILBERT



– a figure that is expected to double by 2020." They reference the World Travel & Tourism Council (WTTC) as being the source of their statistics.

By now my readers are probably asking "Well, what has all this got to do with Commu-

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For tourism planners the T:WLI assertion is really irrelevant. Tourism planners need other views of the global economy. Planners ask questions like: “Is tourism strong or weak right now relative to the overall economy?” or “What is current investor sentiment for tourism?” or “Is there a reasonable possibility for a return on investment in tourism?” Financial markets data compiled daily are available to address such questions, but curiously, they seem to be ignored by tourism academics and planners.

As an example of what is possible, the adjacent three year daily close chart of the Dow Jones Travel & Leisure Titans 30 Index (\$DJTCGS) shows how interest in buying equities of tourism related large international businesses rose from June 2005 through the beginning of 2007, then plateaus for most of that year. Confidence fails in late 2007,



but quickly the index finds a new plateau in the 230 - 240 range. June 2008 is not shown in this analysis, but there has been a staggering rise in oil prices and drops in most broad market indexes all during the month. Did the \$DJTCGS index break current or long term

support and fall further in June? If it did, would you want to put money into a tourism business right now?

Who cares if tourism is the world’s largest industry. Is it a good investment? That’s the real bottom line question.

*“Tourism is big business. Travel expenditures today are a major source of income and employment for many nations.”*

– David L. Edgell, Sr., 2006, *Managing Sustainable Tourism: A Legacy for the Future.*

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## References & Some Technical Notes:

**Dr. Alan Lew, his rant** (May 2008):

<http://tourismplace.blogspot.com/2008/04/tourism-is-not-worlds-largest-industry.html>

**IIED Pro-Poor Tourism Report** (May 2001):

<http://www.propoortourism.org.uk/Dilys%20IIED%20paper.pdf>

**WTTC Tourism Satellite Accounting** (their 2008 numbers):

[http://www.wttc.org/eng/Tourism Research/Tourism Satellite Accounting/](http://www.wttc.org/eng/Tourism%20Research/Tourism%20Satellite%20Accounting/)

### **Dow Jones Indexes**

<http://www.djindexes.com/mdsidx/?event=showSectorTitans>

The DJ Travel & Leisure Titans 30 Index is an international index (DJTCGS) calculated from the weighted market capitalization of equity securities for 30 publically traded companies representing an array of tourism business. At present twelve of the titans are US businesses. Just as with the WTTC TSA statistics, there are analytical difficulties with the DJ Indexes. These include bias, definition, and attribution.

<http://www.djindexes.com/mdsidx/?event=showTotalMarket>

There is also a Travel & Leisure Index for US companies only (DJUSCG).

The benchmark for both these indexes is 100 points. They were initiated in 1991.

<http://www.djindexes.com/dj2008summergamesindex/>

One of the more fun indexes these days, and it is related to tourism, is the 2008 Summer Games Index. It's made up of publically traded companies who are games sponsors, suppliers, or partners. Will the Dow people do one for 2010 Winter Games in Vancouver too?

### **Chart of \$DJTCGS Index:**

[stockcharts.com](http://stockcharts.com)

In the "Enter a Symbol" box type \$DJ, then hit return. You will see all 292 indexes that are calculated daily by the Dow. Click on one of the icons on the far left of the page and you will generate a page with single or multiple charts for that index. You can modify the layout if you wish. The basic site is free.