

## **Tourism Price Competitiveness: a neglected 'value' in sustainable tourism**

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### **1. Introduction**

Price competitiveness is one of the most important factors in the overall tourism competitiveness of a country or a destination. There is widely accepted evidence that prices are one of the most important factors in decisions about whether, and where, to undertake trips. This is reflected in the Travel & Tourism Competitiveness Index (TTCI), where, in Pillar 10, Price Competitiveness is assessed using four sets of hard data, on Ticket Taxes and Airport Charges (10.01), National Purchasing Power Parity prices (10.03) Fuel Price levels (10.04) and the Hotel Price Index (10.05).

Not surprisingly, given its importance, many have developed or used indicators of Tourism Price Competitiveness. These indicators vary considerable. It is possible to find indicators based on detailed prices which tourists pay in different countries, along with some highly aggregated and proxy measures. Different indicators shed light on different aspects of competitiveness, and the measures which are most useful for a purpose depend on what questions are being explored.

Some of the key aspects which condition which indicators should be used are:

- The need for accuracy and tourism specific detail versus timeliness. More detailed and accurate measures involve more data collection and processing, and thus they take longer to produce. If timeliness is of essence, it may be necessary to rely on broader proxies for price competitiveness which can be obtained readily.
- The need for cross country (or cross destination) comparisons of the prices tourists are actually paying. If cross country comparisons of tourism competitiveness at a point of time are required, it is necessary to obtain data on the prices of tourism goods and services in different countries. There are relatively few sources of these data, and they tend to appear with a lag.
- The need for estimates of changes in relative price competitiveness over time. For some purposes, only the change in relative price competitiveness of countries is needed. If so, changes in the patterns of competitiveness can be estimated using price change data

(often obtained from countries' CPI statistics) and exchange rate data. These are much more easily obtained than actual cross country price comparisons.

- The need to provide overall summary measures of a country's price competitiveness at a point of time or changes in it over time. It may be useful to have summary measures which can tell whether, overall, a country's price competitiveness in tourism has risen or fallen. Such measures require that the detailed measures of price competitiveness be aggregated in some way.

Measures of tourism price competitiveness of countries or destinations (such as individual regions or cities) form part of more general work on destination competitiveness. Destination competitiveness is a general concept that encompasses price differentials coupled with exchange rate movements, productivity levels of various components of the tourist industry and qualitative factors affecting the attractiveness or otherwise of a destination. The development of the Travel & Tourism Competitiveness Index allows tourism stakeholders in both the private and public sector to: identify key strengths and weaknesses of their destination from the visitor perspective; highlight opportunities for tourism development; and develop strategies to counter possible threats to future visitation. The focus of this review is country or destination *price* competitiveness.

In this chapter we outline a range of tourism price competitiveness indicators which have been developed and used. Some are more useful and valuable than others, and all have their advantages and disadvantages. We begin by motivating the review with a discussion of the importance of price as a factor determining competitiveness. We then explore some comprehensive measures of cross country price competitiveness. After this, we note some measures which can be used for examining changes in patterns of competitiveness over time, and patterns of competitiveness in specific sectors. Next we outline some summary measures which can be used to track a country's or sectors' competitiveness over time. The determinants of price competitiveness are then briefly reviewed, and the impacts on it of government policy and macroeconomic conditions are briefly discussed. We conclude by putting the measures into perspective with a review of the properties and potential uses of the different measures.