



SPPI for Activities of Travel Agencies



Preface

- CSO does not compile an SPPI for the Activities of Travel Agencies NACE rev.2 79.11
- Outside scope of STS regulation and very minor activities - accounting for only 0.16% of total Gross Value Added in Ireland in 2010



The services produced

- Selling (rather than organising) travel and accommodation services
- Prior to the 1990's, primarily selling of airline tickets for commission but major changes since then
- Airlines now sell majority of tickets directly – although GDS reservations remain a feature
- Package holiday sales and secondary activities
- Online Travel Agents (OTAs) have emerged
 - We can distinguish between merchant or agency models
- Metasearch engines (comparison websites)



Travel Agencies are a small industry in Ireland

Number of Enterprises, Persons Employed, and € Turnover (thousands) in NACE 79.11 Travel Agencies 2012, by numbers of persons employed. (ASI)

Persons Employed	Enterprises	Persons Employed	Turnover € 000's	Enterprises percentage	Persons Employed percentage	Turnover percentage
1 to 9	178	789	227,749	84%	41%	26%
10 to 49	25	583	289,572	12%	30%	33%
50 or more	7	550	353,249	4%	29%	41%
Total	210	1,922	870,570			

- Accounting for 0.16% of total Irish Value Added in 2010, reflecting high cost of sales
- Value Added of this industry approximates commissions and fees earned on sales

How the Irish travel

- **Outbound travel by Irish Residents - percentage distribution of trips taken classified by Method of Booking, Quarter 3, 2013 (Household Travel Survey)**

	Package %	Transport %	Accommodation %
Direct	26.3	84.6	57.9
Via travel agent/tour operator	72.1	6.7	9.3
No booking required/ Don't know	1.6	8.6	32.8
Total	100	100	100

- Package holidays still mostly booked through travel agents.
- Most transport is booked directly, not through travel agent.
- Majority of accommodation booked 'directly', but this may include online travel agents



Pricing mechanisms and methods

- Prevalence of commissions and booking fees (on a “per transaction” or “per click” basis)
- Where fees are based on percentage rates the “percentage fee” method can be employed
 - The percentage fee and related value of the product transacted are used to estimate the price of the final service output by multiplying the percentage and the value of the good.
- The SPPI will therefore reflect changes in commission rates and product values.
- The percentage fee and the value of the product may be collected from different sources.



Source Data

- Dedicated (SPPI) survey for commission rates/fees and perhaps the value of associated product transactions
- Alternatively it might be possible to use the CPI to measure the value of the associated product transactions (although these should be net of commission rates and fees to travel agencies)
- The closest approximating CPI sub-index available in Ireland is for Package Holidays
- But this should not be used to deflate activities of travel agencies as it primarily reflects the price of travel and accommodation rather than the services provided



Summary

- Travel agencies are a small part of the Irish economy
- The industry has undergone substantial change although revenue is still generated via commissions and fees
- Percentage fee method requiring measurement of both percentage fee and the value of the associated product