

Introductory Microeconomics

Tutorial 6

Nhan La

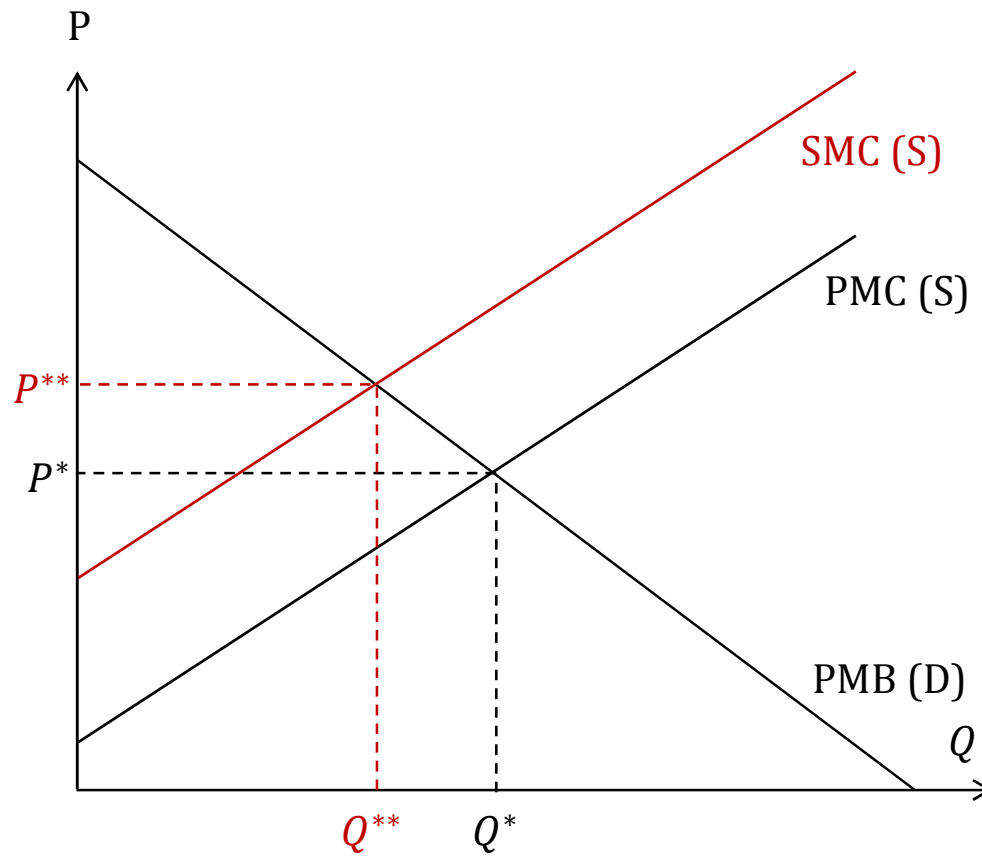
Task 1

a/ Tourism-associated externalities

Positive	Negative
Increase wealth	Natural degradation
Develop infrastructure: Protect historical buildings	Infrastructure: congestion, crowding, overbuilding, land loss
Better leisure experience	Noise
Improve and create more public spaces	Littering
Control pollution	Pollution
Reform public service system	Crime
Preserve cultural heritage, promote cultural exchanges	Cultural modification/damage

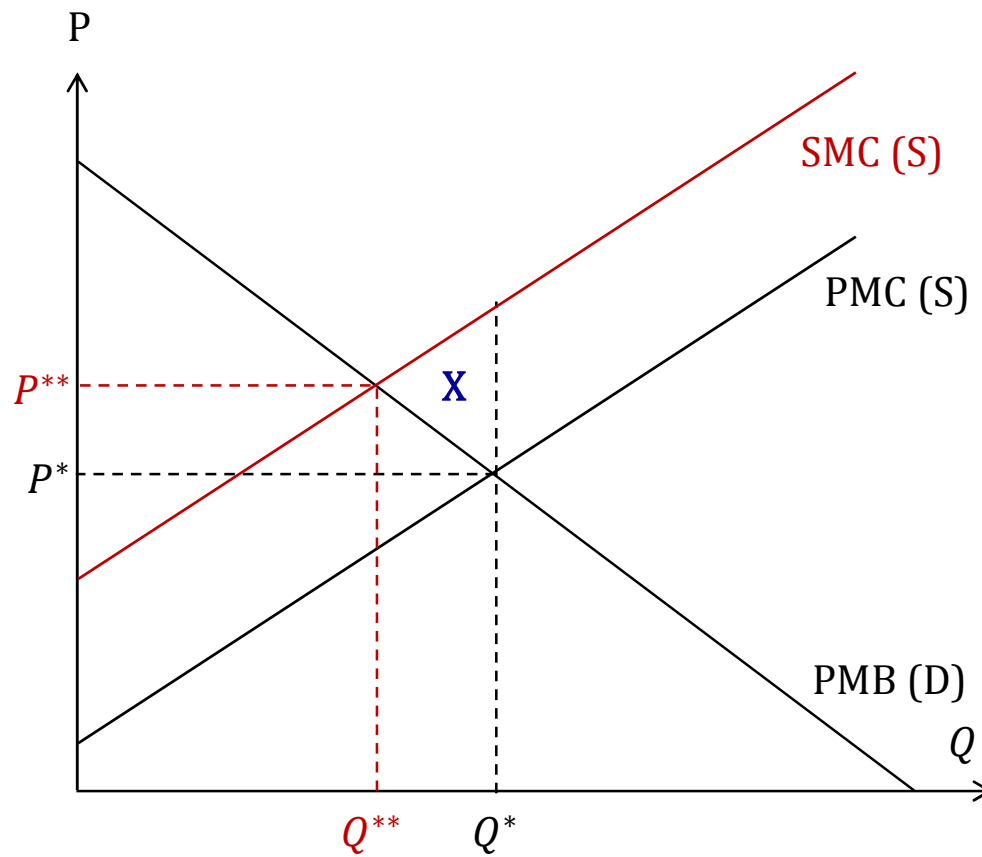
Task 1

b/



Task 1

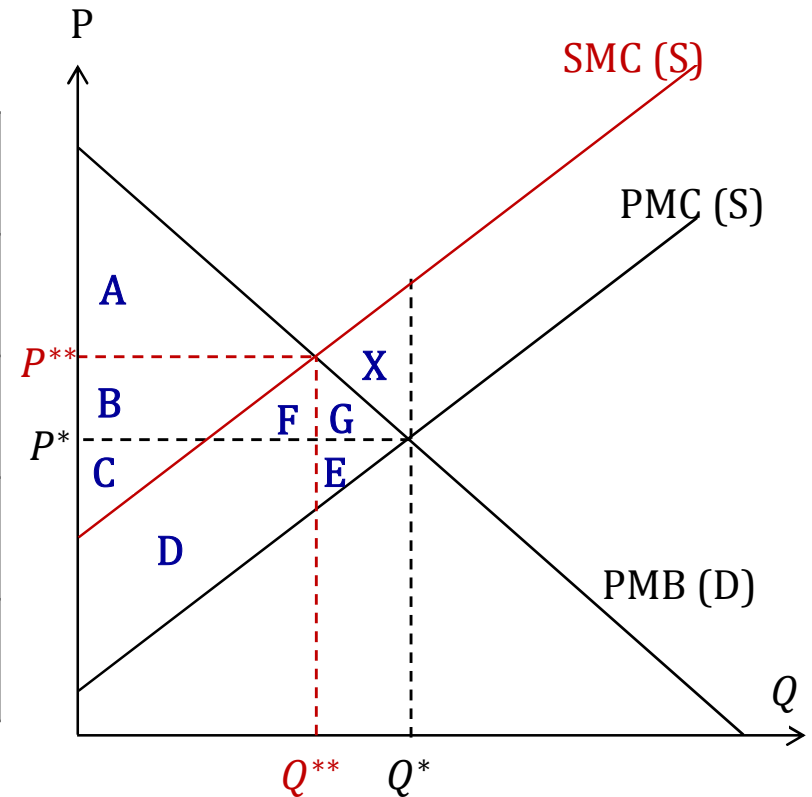
b/



Task 1

b/

Surplus	PMC=PMB	SMC=PMB	Change
Suppliers	C+D+E	B+C+D+F	
Consumers	A+B+F+G	A	
Bystanders	-D-E-F-G-X	-D-F	
Total	A+B+C-X	A+B+C	-X



Task 1

c/ Economic policy on tourism

- Tax
 - Relatively heavily taxed
 - Rates of taxation are increasing

Forsyth and Dwyer (2002)

- Quota

Task 1

c/ Economic policy on tourism

- Tax

Sector	Name of tax	Payable by
Entry/Exit	Visa	Customer
Air travel	Tickets	Customer
Airports	Security	Customer
Hotels	Bednight	Customer
Restaurants	Sales	Customer
Road	Toll charges	Customer
Car rental	Petrol	Customer
Attractions	Sales	Customer

480

TOURISM TAXATION

Table 1. Tourism Tax Typology

Sector	Name of Tax	Payable By
Entry/Exit Taxes	Resident departure tax/Foreign travel tax	Customer
	Visa/travel permit	Customer
Air Travel	Air passenger duty	Customer
	Air ticket tax	Customer
	Airline fuel tax	Business
Airports/Sea Ports/Road Borders	Departure tax	Customer
	Passenger service tax	Customer
	Airport security tax	Customer
	Airport parking tax	Customer
	Transit taxes	Customer
	Trekking/mountaineering fees	Customer
Borders Hotels/Accommodation	Bednight tax	Customer
	Bed tax	Customer
	Occupancy tax	Customer
	Differential VAT rate	Customer
	Surtax	Customer
	Sales tax	Customer
	Service tax	Customer
	Turnover tax	Business
	Hotel and restaurant tax	Customer
	Temporary lodging tax	Customer
	Hotel accommodation tax	Customer
	Lodging tax	Customer
	Fringe benefit tax	Business
	Payroll tax	Business
	Customs and excise	Business
Restaurants	Sales tax/VAT	Customer
	Liquor taxes/duties	Business
Road Taxes	Toll charges	Customer
	Fuel taxes/duties	Business
Car Rental	Municipal/local tax	Customer
	Purchase duty	Business
	Petrol/diesel duty	Customer
Coaches	Purchase duty	Customer
	Specific additional tax	Business
	Tourist transport tax	Customer
Tourism Attractions	Visitor attractions tax	Customer
	VAT and sales tax	Customer
Training	Industry training tax	Business
	Catering tax	Business
Environment	Eco-tourism tax	Business
	Carbon tax	Business
	Landfill tax	Business
Gambling	Betting tax	Business
	Casino tax	Customer

Source: Adapted from WTO (1998).

Task 1

d/ External effects of tourism

(i) Ecological damage

(ii) Social benefits

(iii) Economic benefits

Task 2

a/

- External effects of reclining seat
 - Making whoever seats behind (more) uncomfortable
- Market failure
 - Externality (negative)

Task 2

b/

- Solutions
 - Pay the right owner
- Realistic?
 - Transaction cost: language, psychology
 - Right establishment

Task 2

c/

Scenario 1: Non-adjustable seat

	Front passenger	Behind passenger
Recline	\$40	\$0
Straight	\$0	\$20

Scenario 2: Adjustable seat (\$5 value for partial adjustment)

	Front (right owner)	Behind		Front	Behind (right owner)
Recline	40	0	Straight	0	20
Adjust	$40 + 6 - 5 = 41$	$20 - 6 - 5 = 9$	Adjust	$40 - 6 - 5 = 29$	$20 + 6 - 5 = 21$