

ORGANISATION MONDIALE DU TOURISME World Tourism organization Organización mundial del turismo Bcemuphar typuctckar optahusaunr Sintali internations

CLARIFYING THE PLACE OF TOURISM IN THE BALANCE OF PAYMENTS AND RELATED MACROECONOMIC FRAMEWORKS

Discussion paper presented to the Task Force on International Trade in Services Statistics for its next meeting (2-3 February 2005)

WTO Department of Statistics and Economic Measurement of Tourism January 2005

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1. PRESENTATION

The development of compilation guidance on statistics had been identified by the Task Force on International Trade in Service Statistics (MSITS) as a priority area of work. At the September 2004 Task Force meeting, the World Tourism Organization presented a revised draft of a module on travel compilation guidance in the balance of payments, which intention was also to increase synergies with the collection of international tourism data.

The Task Force welcomed a proposal to identify conceptual differences regarding tourism related issues in BPM5, the Tourism Satellite Account and related frameworks in a bridge table exercise, which would be an agenda issue for its next meeting.

In the light of the revision of BPM5 and the consequent uncertainty over future recommendations affecting the travel item, the Task Force agreed to defer discussions on compilation guidance until these recommendations were agreed upon.

The present exercise ¹ is consistent with the document presented by the WTO/OMT ² at the last September meeting and intends to present in summary form the conflicts of definitions and scopes related to travellers, travel, visitors, and business travel, traveller or visitor, between t the TSA and other related frameworks.

The determination of which types of travellers are part of the three following conceptual frameworks at the basis of the exercise was the starting point.

- Balance of Payment (BPM5). (Balance of Payment Manual, fifth edition)
- Tourism (TSA). (Tourism Satellite Account: Recommended Methodological Framework)
- Migration (SIM). (Recommendations on Statistics of International Migration, Revision 1. 1998)

In the case of Balance of Payment and Tourism, the process also included the identification of the treatment given to the expenditures associated to these travellers.

The relationships that were exhibited (and the doubts that arose within the working group) helped to understand more deeply the conceptual differences between TSA and BPM5 / SIM / SNA93.

This exercise was more time consuming than initially planned. The proposals that WTO/OMT present today result from a collective exercise to explain the concept of tourism as an internationally traded service and open a discussion on the mutual links of tourism with those other related macroeconomic frameworks.

During this year 2005, we should be in the condition to finalize the discussion that we initiate today.

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¹ This paper results from a collective effort undertaken by the WTO/OMT Department of Statistics and Economic Measurement of Tourism and some of its consultants: Katherine Kemp, Marion Libreros, Shaila Nijhowne and José Quevedo. Anne Harrison from OCDE also participated in the first discussions of the paper.

² "Travel in Balance of Payments and tourism as a traded service", july 2004. WTO / OMT

Typology of international travellers and of the corresponding expenditures in BPM5 and TSA

BPM5		TSA		SIM	
Travellers	Travel	International Passenger carriage	Visitor	Inbound/outbound tourism consumption	Migrant
inc	inc	inc	inc	inc	exc
ехс	exc	inc?	exc	ехс	exc
exc	exc	inc?	exc	exc	exc
exc	inc	inc	exc	exc	inc
exc	inc	inc	exc	exc	exc
ехс	inc	inc?	exc	ехс	inc (from 3 to 12 months)
exc?	inc	inc?	inc	inc	inc
inc?	inc	inc?	exc	ехс	inc
			inc	inc	exc
			inc	inc	exc
inc	inc	inc	inc	inc	exc
inc	inc	inc	inc	inc	exc
exc	inc	inc?	exc	exc	exc
			inc	inc	
inc	inc	inc	inc	inc	
inc	inc	inc	inc	inc	
inc	inc	inc	inc	inc	
exc	exc	inc?	exc	exc	
exc	exc	inc?	exc	exc	
	inc exc exc exc exc exc inc? inc inc inc exc exc	Travellers Travel inc inc exc exc exc inc exc inc exc inc inc inc inc inc inc inc inc inc inc inc exc inc exc? inc	Travellers Travel Passenger carriage inc inc inc inc exc exc inc? exc inc inc exc inc inc exc inc inc? exc inc inc? inc? inc inc? inc? inc inc? inc inc inc inc inc inc exc inc inc exc? inc inc? inc? inc inc? inc inc inc inc inc inc exc inc inc inc exc inc inc inc inc inc inc inc exc inc inc inc?	Travellers Travel Passenger carriage inc inc inc inc inc inc exc exc inc? exc exc inc inc exc exc inc inc exc exc inc inc? exc exc inc inc? exc exc inc inc? exc inc inc? inc inc? inc inc? inc inc? inc inc? inc inc inc inc inc inc inc inc inc inc inc inc inc exc inc inc inc inc exc inc inc inc inc inc inc inc inc inc exc inc inc inc inc inc inc inc inc inc exc exc inc? exc	Travellers Travel Passenger carriage Visitor Inbound/outbound tourism consumption inc

		ВРМ5			TSA	SIM
Types of Travellers	Travellers	Travel	International Passenger carriage	Visitor	Inbound/outbound tourism consumption	Migrant
8. Nomads			inc	exc	exc	
Students abroad (plus their dependents)	inc	inc	inc	inc	inc	
10. Trainees abroad (plus their dependents)	inc	inc	inc	inc	inc	
11. Citizens departing to work abroad (plus their dependents) • 3-12 months • more than 12 months	exc exc	inc exc	inc inc	exc exc	exc exc	
Staff of international organizations (plus their dependents and employees)	exc	inc	inc?	exc	exc	
13. Citizens departing to settle abroad in a country where they have the right to free establishment	exc	exc	inc?	exc	exc	inc
14. Citizens departing to settle abroad	exc	exc	inc?	exc	exc	
15. Citizens departing to form a family or join their immediate relatives abroad	exc	exc	inc?	exc	exc	
16. Citizens departing to seek asylum	exc	exc	inc?	exc	exc	
17. Asylum seekers granted the refugee status	exc	exc	inc?	exc	exc	
18. Non authorized travellers	exc	exc	inc?	exc	exc	

Notas:--: this type of travellers and its corresponding expenditure is not formally part of the referred conceptual framework inc: included

exc: excluded

Comments

- 1. Use of similar terms within different environment or with different contents:
 - a) In the TSA "business visitors" and their expenditure refer to travellers which purpose of visit is to perform a professional activity not remunerated from within the country visited and with a stay of less than one year;
 - b) In the BPM5 the expenditure of "business travellers" includes the expenditure of business visitors (the same as the TSA) but also the expenditure of travellers staying less than a year but are remunerated from within the country visited for their professional activity: seasonal workers, border workers, and other workers (consultants, artists, employees in hotels, etc..). It also includes the expenditure of students and medical patients staying more than a year in the country visited. In BPM5 (para 23.) are not considered as travellers those included in category (iii) Seasonal and border workers and other individuals remunerated from within the country visited. Why not, if their expenditure is included into travel? Additionally, there is some ambiguity regarding the treatment of other categories of individuals (nomads, refugees, staff of international organizations,...
 - c) In the SIM the terms excursionists, tourists and business travellers are used but with some differences as compared to the TSA definitions:
 - <u>excursionists</u> for <u>business</u> <u>purposes</u>: <u>are excluded from the category</u> excursionists and considered as business travellers;
 - <u>tourists:</u> the category excludes business travellers and a special category is created to include business travellers;
 - <u>business travellers:</u> this category is equivalent to that of business visitors in TSA, and includes both business tourists and business excursionists.
- 2. SIM does not take into consideration travellers that stay less than 3 months in the country of visit (as can be seen in tables 3, 4, 6 and 7 of the official document) though such a situation is not mentioned explicitly: it considers only those who move for a period of a least a year (long term migrants) and those who move for a period of at least 3 months but less than a year and are not visitors (short-term migrants).
- 3. Finally, there exist numerous doubts (indicated by a "?") on the part of the very participants in the drafting of this discussion paper principally regarding whether or not to include the expenditure associated with certain types of travellers under the "international passenger carriers" item of the Balance of Payments. To a certain extent, these doubts stem from the fact that the same concepts referred to in different paragraphs in BPM5 are not always consistently defined, as well as from the lack of previous explanation.

3. Bridge tables

Concepts	BPM5	TSA	SIM	Proposals
Traveller	243. A traveler is an individual staying, for less than one year, in an economy of which he is not a resident for any purpose other than (i) being stationed on a military base, or being an employee (including diplomats and other embassy personnel) of an agency of his or her government, (ii) being an accompanying dependent of an individual mentioned under (i), or (iii) undertaking a productive activity directly for an entity that is resident of that economy []Travelers include tourists, who spend at least one night in the country visited, and sameday travellers or excursionists, who stay less than twenty-four hours and do not remain overnight. The latter group may be shown as a separate category, or as a memorandum item, by economies in which same-day travellers account for significant transactions. Footnote 4 (Ch XII): "The term traveler is broadly synonymous with the term visitor used by the WTO".	16. An international traveler is defined as "any person on a trip outside his/her country of residence (irrespective of the purpose of travel and means of transport used, and even though s/he may be traveling on foot".	Box 2/5 It is not used except to distinguish those that are called business travellers.	BPM6 should update the definition of travellers by: - referring to the fact of the displacement of such individuals from one economy to another - specifying the different types of individuals presently excluded from the definition of travellers but whose expenditures are included as travel in the BOP conceptual framework, in order to bring consistency with the coverage of "travel" and "passenger transportation carriage"; - identifying precisely those individuals that displace from one economy to another but are excluded from the BOP conceptual framework (in particular nomads and refugees).

Concepts	BPM5	TSA	SIM	Proposals
Tourism and travel	232. Passenger services covers all services provided, between the compiling economy and abroad or between two foreign economies, in the international transportation of non-residents by resident carriers (credit) and that of residents by non-residents carriers (debit). Also included are passenger services performed within an economy by non-resident carriers. Excluded are passenger services provided to non-residents by resident carriers within the resident economies; these are included in travel, Chapter 12. In addition to the services covered by passenger fares — including fares that are a part of package tours but excluding cruise fares, which are included in travel — passenger services 242. Travel covers primarily the goods and services acquired from an economy by travellers during visits of less than one year in that economy. The goods and services are purchased by, or on behalf of, the traveller or provided, without a quid pro quo, for the traveller to use or give away. Excluded is the international carriage of travelers, which is covered in passenger services under transportation. (See paragraph 232.) 243, [] Expenditures made by individuals covered in (i) and (ii) are recorded under government services n.i.e. (See Chapter XIII) Expenditures made by individuals (including seasonal and border workers) covered in exception (iii) are also included under travel. [] Footnote 3 (Ch XII): As used in this Manual, the term travel is synonymous with the term tourism used in the SNA and by the World Tourism Organization (WTO).	TSA (Annex II) includes a list of tourism characteristic products and activities linked to CPC ver 1.0 and ISIC Rev. 3: passenger transport services is part of them and represents a relevant part of tourism consumption.		Travel should be defined as the consumption expenditure of all travellers (without exceptions), different from international passenger carriage. Passenger transportation carriage expenditures related to visitors is part of tourism related services in BOP and should be identified as such. BPM6 should include an appendix on tourism in order to make possible the identification of tourism consumption, both within "travel" and "passenger transportation carriage" items.

Concepts	BPM5	TSA	SIM	Proposals
Diplomats and similar	243."[] (individuals) (i) being stationed on a military base of being an employee (including diplomats and other embassy personnel) of an agency of his or her government, (ii) being an accompanying dependent of an individual mentioned under (i), (are not considered as travellers). Their consumption expenditure is included in government services n.i.e. 266 Government services n.i.e. is a residual category []	31. The following categories of travelers should not be included in international visitor arrivals and departures: (c) Diplomats, consular officers and members of the armed forces when traveling from their country of origin to the country of their assignment or vice versa, including household servants and dependents accompanying or joining them.	Categories relevant for the compilation of international migration statistics: Box 2 /12 Foreigners admitted under special visas or residence permits as employees of international organizations located in the territory of the receiving country, are included in international migration statistics. If their dependants and employees are admitted, they are also included in this category Categories excluded from international migration statistics. Box 2/6 Citizens departing with the status of diplomatic or consular personnel or as dependants and employees of that personnel – Foreign diplomatic and consular personnel plus their dependants and employees: Foreigners admitted under diplomatic visas or permits. Their dependants and domestic employees, if admitted, are also included in this category. Box 2/7 Citizens departing with the status of military personnel or as dependants or employees of that personnel – Foreign military personnel plus their dependants and employees: A category encompassing all foreign military servicemen, officials and advisers together with their dependants and domestic employees stationed in the country of arrival for a limited period.C.	In order to be consistent with the residual character of government services n.i.e., these individuals should be considered as travelers and their consumption expenditure be included into travel, except international passenger carriage.

Concepts	BPM5	TSA	SIM	Proposals
Visitor	67. [] travelers or visitors — individuals who leave an economic territory for limited periods of time (less than one year) for business or personal purposes. 243. A traveler is an individual staying, for less than one year, in an economy of which he is not a resident for any purpose other than (i) being stationed on a military base or being an employee (including diplomats and other embassy personnel) of an agency of his or her government, (ii) being an accompanying dependent of an individual mentioned under (i), or (iii) undertaking a productive activity directly for an entity that is a resident of that economy. (See paragraphs 67 through 70.) Expenditures made by individuals covered in (i) and (ii) are recorded under government services n.i.e. (See Chapter 13.) Expenditures made by individuals (including seasonal and border workers) covered in (iii) are included under travel. Travelers include tourists, who spend at least one night in the country visited, and same-day travellers or excursionists, who stay less than twenty-four hours and do not remain overnight. The latter group may be shown as a separate category, or as a memorandum item, by economies in which same-day travellers account for significant transactions.	20. For purpose of tourism statistics, the term "visitor" describes "any person traveling to a place other than that of his/her usual environment for less than 12 months and whose main purpose of trip is other than the exercise of an activity remunerated from within the place visited." 30. The following categories of travelers should not be included in international visitor arrivals and departures: (a) persons entering or leaving a country as migrants, including their dependents accompanying or joining them; (b) persons, known as border workers, residing near the border in one country and working in another; (c) diplomats, consular officers and members of the armed forces when travelling from their country of origin to the country of their assignment or vice-versa, including household servants and dependents, accompanying them of joining them; (d) persons traveling as refugees or nomads.	Box 3 /3 A. Foreigners: Visitors (from abroad to the country): Foreigners admitted for short stays for purposes of leisure, recreation, holidays; visits to friends or relatives; business or professional activities not remunerated from within the receiving country; health treatment; or religious pilgrimages. It is recommended that a distinction be made between: (a) foreign tourists: Foreigners admitted under tourist visas (if required) for purposes of leisure, holiday, recreation, visits to friends or relatives, medical treatment or religious pilgrimages. Their length of stay is restricted and must be shorter than 12 months; (b) foreign excursionists (same-day visitors): Foreigners visiting for a day without spending the night in a collective or private accommodation within the country visited. This category includes cruise passengers who arrive in a country on a cruise ship and return to the ship each night to sleep on board. Also included are crew members who do not spend the night in the country; (c) foreign business travellers: Foreign persons on short visits related to business or professional activities not remunerated from within the country of arrival, whose length of stay is restricted and cannot surpass 12 months.	In all related frameworks the different scopes of travellers and visitors ahould be mentioned explicitly: visitors is a subset of travellers and they are not identical. Tourism statistics should update the present definition of visitor by clarifying: - the relationship between the main purpose of the trip and the activities associated with each of those purposes identified as "tourism purposes" in particular in the case of business and professional purpose - the terms trip and visit - those travellers who are not visitors and are to be excluded

Concepts	BPM5	TSA	SIM	Proposals
One-year rule	244. The one-year rule does not apply to students and medical patients who remain residents of their economies of origin even if the length of stay in another economy is one year or more.	2.13 Students travelling abroad, even for more than one year and still depending economically on their families, are considered part of their family's household. Consequently, they remain residents of the place where their household has its centre of economic interest, but their usual environment includes their university and the place where they live. Sick persons staying in a hospital or similar facility some distance from their original residence for more than one year are still part of the household from which they come if economic ties are maintained with that household, even though their usual environment now includes the hospital where they are staying. The same can be said of persons serving a long-term prison sentence. All these classes of persons are not visitors to the places where they now reside. But if other members of their original households travel to see them, then they are visitors to these places.		BPM6 should clarify the analytical reasons justifying this exception and who are the institutional users that require it from BOP compilers. BPM6 should clarify the conceptual link of this exception to the one year rule for long-term students and medical patients with the new conceptual framework for household statistics; If the decision is taken to maintain the present treatment, the expenditure of both long-term students and medical patients should be explicitly identified ,in order to facilitate the reconciliation with tourism data.

Concepts	BPM5	TSA	SIM	Proposals
Business travel/ traveller, visitor for business purpose	246. "The business travel category covers travelers going abroad for all types of business activities: carrier crew stopping off or laying over; government employees on official travel; employees of international organizations on official business; and employees doing work for enterprises that are not resident in the economy in which the work occurs". 247. "Business travel is also covering the expenditure of travelers who." visit an economy for sales campaigns, market exploration, commercial negociations, missions, meetings, production or installation work, or other business purposes of behalf of an enterprise resident in another economy. []. Personal expenditures on goods and services by seasonal, border and other non-resident workers in the economies in which they are employed also are recorded []".	Travellers for less than one year, but remunerated from within the place visited are not considered as visitors. 45.3 Visitors coming for business and professional purposes are those which activities are: installing equipment, inspection, purchases, sales for foreign enterprises; attending meetings, conferences or congresses, trade fairs and exhibitions; employer incentive tourism, giving lectures or concerts; programming tourism travel, contracting of accommodation and transport, working as guides and other tourism professionals; participation in professional sports activities Government missions, including diplomatic, military or international organization personnel, except when stationed on duty in country visited;; crews on land vehicles; paid study and research, such as university sabbatical leaves, language, professional or other special courses in connection with and supported by visitor's business or profession.	Box 2 /5 Foreign business travellers: foreign persons granted the permission to engage in business or professional activities that are not remunerated from within the country of arrival. Their length of stay is restricted and cannot surpass 12 months Box 2/11 Citizens departing to work abroad – Foreign migrant workers: Foreigners admitted by the receiving State for the specific purpose of exercising an economic activity remunerated from within the receiving country. Their length of stay is usually restricted as is the type of employment they can hold. Their dependants, if admitted, are also included in this category. Box 1 Long-term migrant: A person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months) [] Short-term migrant A person who moves to a country other than that of his or her usual residence for a period of at least 3 months but less that a year (12 months) []	Business travellers and business visitors as well as their expenditure, should be consistently defined and terminology harmonized in all related frameworks, including SNA93. Tourism statistics should modify the list of tourism purposes and specify unambiguously what has to be considered within the "business and professional" purpose, and as a consequence the classification as visitors of those travelling for this main purpose. Migration statistics should mention the case of all short term visits of technicians or other individuals having special skills visiting the country in order to perform an activity, even remunerated from the place visited (a foreign artist, a foreign lecturer, a foreign consultant, etc.) but who have no intention to settle in this place but come mainly to provide a service and suggest a classification as (business) visitors. BPM6 should also clear up the ambiguity between travelling for work purposes and travelling for business purposes and state clearly in which cases their remuneration should be treated as Income (non-resident employees of resident firms) and when the work provided should be treated as part of transactions on services.

4. ADDITIONAL CONSIDERATIONS

SNA93 definitions were not included in these bridge tables, due to the fact that they are strongly related to the BPM5 terminology and approach (For SNA93, tourism and travel are considered as synonymous).

Nevertheless, when regarding the "business issue" it becomes evident that closing the gap between tourism statistics and all other related frameworks obliges to identify the paragraphs in SNA93 related to this issue and extend also some proposals to be considered in the revision process concerning SNA.

Background

Tourism is referred to in SNA93 Chapter XIV in the following manner:

"14.110 The item "tourism" does not refer to a particular type of service as such, and hence for this reason is not identified in the CPC. Exports of tourism (receipts) cover purchases of all types of goods and services made by non-residents visiting an economy for business or personal purposes, for less than one year. An exception to the one-year rule applies to students and medical patients who are treated as non-residents even if their stay is for a longer period. Expenditures on health and education should be separately recorded when feasible. Imports of tourism (payments) cover all purchases of goods and services made by residents while travelling abroad for business or personal purposes (see reference in paragraph 14.109 above to adjustment in the supply and use tables).

14.111 Expenditures on tourism, and also passenger services, must be subdivided to distinguish those expenditures made by business travellers, which are paid for, or reimbursed by, their employers from those expenditures made by households. Expenditures by business travellers are part of the intermediate consumption of producers, whereas expenditures by other travellers on personal trips are part of household final consumption expenditures. In order to calculate final consumption expenditure of resident households from the expenditure made by all households, both resident and non-resident, within the domestic market, it is necessary to add direct purchases abroad by residents and to subtract direct purchases in the domestic market by non-residents (see chapter XV)."

Regarding the treatment of expenditure by business travellers as part of intermediate consumption of producers, chapter VI gives a more specific description of the difference between intermediate consumption and remuneration in kind in the following terms, which seems to contradict somehow the previous implicit classification of all expenditure by business travellers as intermediate consumption:

"6.153 Certain goods and services used by enterprises do not enter directly into the process of production itself but are consumed by employees working on that process. In such cases it is necessary to decide whether the goods and services are intermediate consumption or, alternatively, remuneration in kind to employees. In general, when the goods or services are used by employees in their own time and at their own discretion for the direct satisfaction of their needs or wants, they constitute remuneration in kind.

However, when employees are obliged to use the goods or services in order to enable them to carry out their work, they constitute intermediate consumption.

6.155 The following types of goods and services provided to employees must be treated as part of intermediate consumption:

[...]

(e) Transportation and hotel services provided while the employee is travelling on business;

[...]"

As a consequence of 6.155, not all consumption expenditure of individuals travelling on behalf of their business would be considered as intermediate consumption, but only that part corresponding to *accommodation services* (part of "travel" of BPM5) and *transportation* (in BPM5, international transportation corresponds to "international passenger carriage", while domestic transportation in the country of destination is part of "travel"). The remaining expenditure, even if covered in fine by the producer is part of final consumption expenditure of the traveller. This seems to contradict somehow what is stated in chapter XIV and previously quoted.

Comments

Although not explicit, it seems that the purpose of the present breakdown in BPM5 is to answer the needs of National Accounts compilation, in which a part of tourism consumption expenditure paid by businesses on behalf of their employees on business trips and some others is to be considered as intermediate consumption of the productive activities of these businesses.³

The review of the recommendations to be found in SNA93 concerning the treatment of expenditure benefiting both businesses and individuals, whether employees or others (clients, dependants of employees, etc.) leads to the conclusion that the breakdown of the global item of expenditures of travellers according to the main purpose of the trips of these travellers is not an adequate response to those needs.

Regarding National Tourism Administration perspective, the present breakdown in BOP presents a different type of shortcomings due to the following situations:

- the *travel* item includes more than the expenditure corresponding to visitors, as it includes that of travellers that are not visitors;
- some business travellers are visitors (tourism statistics), others are not;
- the international *passenger carriage* item also includes part of tourism expenditure and there is no breakdown available concerning what corresponds to business travellers and what to the rest of travellers.

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If this is the case, then international passenger carriage should also present the same breakdown, as this expenditure is also subject of the same kind of payment. SNA93 paragraph 14.111 is quite explicit in this regard.

Proposals

- BPM6 should clarify the analytical reasons for differentiating as "personal and business" the expenditure by travellers as well as those other individuals excluded from the definition of travellers but whose expenditures are also considered as travel in the BOP conceptual framework. It should also state who are the institutional users making this request to BOP compilers.
- The SNA93 revision should be more precise regarding what consumption expenditure has to be considered as intermediate consumption in the abovementioned context, and propose, eventually, clear indications to BOP compilers in this regard.