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For discussion

C.7 Treatment of Travel Packages, Health-Related Travel, and Taxes and Fees on Passengers' Tickets: Outcome of Global Consultation

C.7 Treatment of Travel Packages, Health-Related Travel, and Taxes and Fees on Passengers' Tickets: Outcome of Global Consultation¹

On the first topic discussed in the Guidance Note (GN)—travel packages—the global consultations² revealed a majority view in favor of the GN's proposal to unbundle services with the exception of national accounts (NA) compilers in European Union (EU) countries who follow the guidance in the European System of Accounts (ESA 2010) to bundle tours. A follow-up survey of NA and balance of payments compilers in the EU revealed split views of NA compilers and difficulties with bundling that could lead to incorrect recording while balance of payments compilers were in favor of unbundling. On the second topic—the classification of health-related travel—the global consultation revealed split views on the classification of travel expenses by companions of patients as either health-related or as other personal travel. In contrast, there was broad agreement on the third topic—namely, leaving unchanged the methodology for recording taxes and fees on passengers' tickets. A summary of the results is presented below.

In the light of the broad consensus achieved on most items, the GN C.7 is presented to the IMF's Committee on Balance of Payments Statistics (the Committee) and the Advisory Expert Group on National Accounts (AEG) for final decision.

TREATMENT OF TRAVEL PACKAGES

1. Do you agree with the proposal to unbundle services included in package tours in order to:

(a) record only resident to nonresident transactions, and (b) use the suggested definition of package tours according to the *International Recommendations of Tourism Statistics 2008 (IRTS 2008)*, and (c) provide additional guidance for disaggregation?

There was majority agreement at the January 2021 global consultation with unbundling services included in package tours, using the suggested definition of package tours according to the *IRTS 2008*, as well providing additional guidance for disaggregation in the new BPM. The latter would greatly support practical compilation and ensure bilateral consistency and harmonization with the SNA. At the same time, the implementation challenges should be carefully considered, in particular, distinguishing resident transactions from those intermediated by platforms.

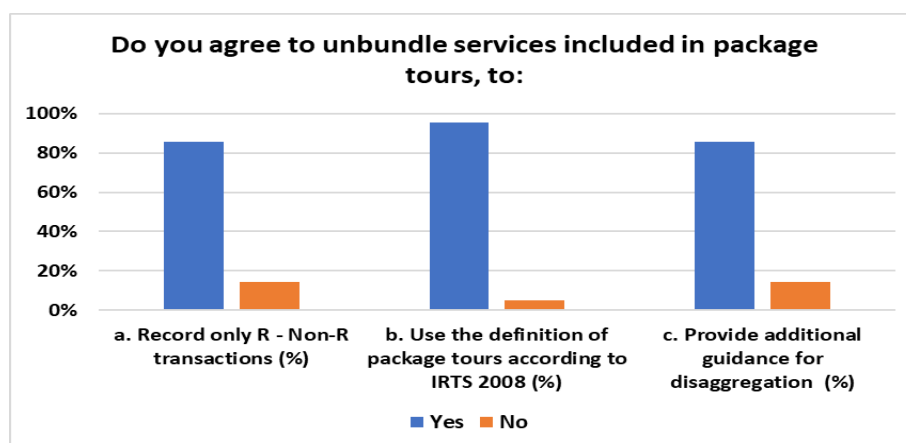
¹ Prepared by the CATT Secretariat (Silvia Matei and Robert Leisch) and approved by CATT Co-chairs.

² The summary results presented in this note cover outcomes from (i) the global consultation conducted in January 2021 on the GN among the balance of payments community, and (ii) a survey among the EU's National Accounts Working Group (NAWG) and BOPWG conducted by Eurostat during December 2021–January 2022 on the treatment of travel packages, following the decision of the IMF's Balance of Payments Statistics Committee (the Committee) and the Advisory Expert Group on National Accounts (AEG) meeting of October 2021 on GN C.4 "Merchandising and Factoryless Producers; Clarifying Negative Exports in Merchandising; and Merchandising of Services".

The January 2021 consultation collected inputs from 21 respondents representing 21 economies (Annex I provides comprehensive information on the results of this consultation), with 11 respondents from Europe, four from Western Hemisphere, four from Asia and Pacific, and two from Africa. The Eurostat consultation collected responses from 18 national accounts and 18 balance of payments compiling agencies representing 21 EU economies (Annex II covers a summary by question and community—i.e., national accounts and balance of payments. The questionnaire is included as an annex in the GN itself).

The Eurostat survey showed mixed views on the issue of bundling and unbundling, with the balance of payments compilers being largely in favor of unbundling, while the national accounts compilers being split.

Figure 1. Proposal Related to Unbundling Services Included in Package Tours



HEALTH-RELATED TRAVEL

2. Do you agree that health related travel should be classified according to definitions of IRTS 2008?

3. Under which of the travel categories should expenses of patients' companions be recorded? (a) "health related travel"? or (b) "other personal travel"?

There was a broad agreement for classifying health related travel according to definitions of the *IRTS 2008* (90 percent respondents supported) to ensure consistency of standards and an improved scope of related services. However, the opinions were divided on the expenses of patients' companion (half of the respondents supported recording it under "health related travel" and the other half preferred its recording as "other personal travel"). It should be noted that views from previous consultations (i.e., CATT and BPTT) were also split. In many cases, practical challenges make it difficult allocating these expenses to one or another category because there was no clear preference based on conceptual reasoning. Eurostat's Balance of Payments Working Group argued in favor of including them under "Other personal travel" of option (b) invoking practical reasons related to the exploitation of the main data source.

TAXES AND FEES ON PASSENGERS' TICKETS

4. Do you agree that the current treatment for taxes and fees on passenger tickets should remain unchanged?

There was large agreement (90 percent respondents supported) with the reasoning of the GN that taxes and fees on passengers' tickets are intrinsic components of the market price paid, and, hence, with the proposal to maintain the existing *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* treatment of taxes and fees on passengers.

GENERAL QUESTIONS

5. What is your opinion on the practical feasibility of these proposals?

While the proposals were found useful, most respondents highlighted the practical challenges of implementation, in particular with regard to package tours, and suggested that best practices for data collection be included in the Compilation Guide as well.

6. Do you have any other comments/suggestions on the GN?

Several additional suggestions were made by respondents, most important being:

- The increased use of digital platforms enabling the acquisition of travel-related services with direct impact on reducing travel packages was noted by several reviewers; some of them suggested a separate treatment in the BPM of the other aspects related to travel packages, that is, the use of digital platforms and the intermediation margin, and avoiding a double counting of the latter. *(These suggestions would suggest coordination with the Digitalization Task Team).*
- Guidance on unbundling services according to residency should not be limited to “package tours” or travel, but be extended to other services, such as air passenger transport.
- Adoption of a broad definition for health and medical care in BPM may reduce the comparability of health statistics produced by different international standards, such as the *2011 System of Health Accounts* (OECD, Eurostat, WHO) (p. 286), which excludes much of the cosmetic surgery; explicit language should clarify what is included and what is excluded.
- Changes would also require the harmonization of BPM with tourism statistics; in general, more importance should be given to ensuring consistence with related international guidelines, including the SNA.

Annex I. Responses to the Global Consultation of January 2021

Questions	Number of Responses	%	
<i>Do you agree with the proposal to unbundle services included in package tours in order to:</i>			
a) record only resident to non-resident transactions, and	Yes	18	86%
	No	3	14%
b) use the suggested definition of package tours according to IRTS 2008, and	Yes	20	95%
	No	1	5%
c) provide additional guidance for disaggregation?	Yes	18	86%
	No	3	14%
<i>Should health related travel be classified according to definitions of IRTS 2008?</i>			
Yes	19	90%	
No	2	10%	
Total	21	100%	
<i>Preferred travel category under which the expenses of patients' companions should be recorded</i>			
Health-related travel	10	50%	
Other personal travel	10	50%	
Total	20	100%	
<i>Agreement to keep the current treatment for taxes and fees on passenger</i>			
Yes	19	90%	
No	2	10%	
Total	21	100%	

**Annex II. Eurostat Survey concerning the treatment of Tour Operators in ESA2010 and BPM6
(December 2021–January 2022)**

MAIN SURVEY RESULTS

BALANCE OF PAYMENTS COMPILERS' RESPONSES

Question 1: In your view and considering the practical aspects of compilation, how difficult is it (or would be) to unbundle the package tour expenditures, as recommended by the BPM6? Please indicate for each of the three cases which transactions are feasible, and which are likely difficult to estimate, considering available source data and other constraints

With regard to the practical aspects based on available data sources and other information for unbundling transactions related to package tours for Case 1, eight balance of payments compilers stated that this is feasible to do so, two have a mixed view, five think it is rather difficult, and three did not provide a reply. For Cases 2 and 3, balance of payments compilers from six countries think that it is possible to capture the relevant transactions correctly, two have a mixed view, seven find it is very difficult or not possible to do so according to *BPM6* recording standards, and three did not answer this question.

Question 2: Under Cases 2 and 3, if you are unable to unbundle the package tours by major expenditures (in particular, separating the international transport services), do you consider these circumstances as a major source of bilateral asymmetries in transport and travel services?

An overwhelming majority of balance of payments compilers considered that not unbundling package tours is problematic due to the requirement in *BPM6* to record international transport and other travel related services like accommodation under different service categories. In addition, it was mentioned that unbundling ensures that only cross border transactions (and not resident to resident transactions) are captured in balance of payments; also that not unbundling package tours would likely increase bilateral discrepancies.

Based on their current compilation practices, most balance of payments compilers (14 out of 17) manage to record relevant transactions for Case 1 for the involved Countries A and C correctly. However, a majority struggle to fulfill the *BPM6* recording standards for the more complex and less frequent Cases 2 and 3 due to lack of available information, especially for transactions related to Country B.

NATIONAL ACCOUNTS COMPILERS' RESPONSES

Question 1: In the perspective of harmonizing the standards, and considering practical aspects of compilation, how difficult is it (or would be) to unbundle the package tours expenditures; alternatively, indicate if you currently re-bundle from BOP information. Please indicate for each of the three cases which transactions are feasible, and which are likely difficult to estimate, considering available source data and other constraints.

Based on currently available information at national level unbundling of package tours for Case 1 would be possible for nine national accounts compilers, two cannot judge or have a mixed view, four find this is not possible, and three did not provide an answer. For Cases 2 and 3, only four national accounts

compilers think that it is feasible to record all relevant unbundled transactions correctly, four have a mixed view or cannot judge, seven find this is not possible, and three did not answer this question. In addition, four compilers stated that unbundling of package tours is already carried out for national accounts or should be done if the data sources would be available, seven indicated that package tours are currently not unbundled for national accounts purposes and seven did not answer this question.

Question 2: Considering the example of Case 1 seen from the perspective of Country A, where the package tour includes accommodation services provided by a non-resident (of Country C) but the transport services are provided by a domestic carrier, is unbundling of expenditures of such package necessary under the ESA 2010 §3.61?

The view of national accounts compilers is split when it comes to unbundling or bundling package tours. Seven support unbundling, while seven prefer to record bundled transactions, and four national accounts compilers did not provide a clear answer to this question.

Respondents that are in favor of unbundling package tour transactions explain that a separation of the various involved service categories is needed for supply-use statistics and that a split between these different services (service charge, transport, and accommodation) is necessary to avoid potential double counting with other data sources like the household survey or SBS.

Respondents that are not in favor of unbundling mentioned that the full amount of the package tour should be recorded based on the criteria of change of economic ownership between the tour operator and the household, supported by the fact that the tourist pays the whole package and not the components separately and that unbundling is not possible due to missing data sources and only relevant for the tourism satellite accounts.

Most national accounts compilers (13 out of 16) manage to record transactions based on the *ESA 2010* (i.e., bundled) for Case 1, while a majority has problems (in particular for Country B) to capture the bundled transactions for Cases 2 and 3.

In addition, nine national accounts compilers indicated explicitly under their data sources that they use travel statistics or balance of payments data for compiling figures for national accounts. Among them, six are clearly in favor of recording bundled transactions in national accounts. This raises the question if some national accounts compilers actually “re-bundle” the received unbundled data from travel statistics or balance of payments in order to be in line with the *ESA 2010* recording requirements or the unbundled data are used directly in national accounts.

Question 3: Under Case 3, the application of the ESA 2010 approach (pro bundling of package tours) would entail recording (i) transport services for Country A via Country B as exports, and (ii) corresponding imports from country B (as part of the bundled package tour expenditures), in spite of the fact that both the tourist and the carrier are residents of the same country (Country A). Similarly, for Case 2, the total expenditures for the package tour would be recorded via Country B although the tourist spends his holidays in Country C. Do you consider such recordings as problematic and potentially a source of bilateral asymmetries?

Eight out of eighteen national accounts compilers think that not unbundling of package tours for Case 2 and 3 may cause higher bilateral discrepancies. A majority has the opinion that due to unavailable information or inaccurate data sources, and different compilation methods across countries, both

approaches (bundling and unbundling) will result in some bilateral discrepancies. On the other hand, three respondents have the opinion that recording based on bundling is not problematic at all for Case 2 and 3.

LIST OF PARTICIPANTS

Country	Member State Authority / Other Public Entity
Austria	<i>Statistics Austria Austrian National Bank</i>
Belgium	<i>Belgian Statistics Office National Bank of Belgium</i>
Croatia	<i>Croatian National Bank</i>
Czech Republic	<i>Czech Statistical Office</i>
Estonia	<i>The Bank of Estonia</i>
France	<i>INSEE, The Bank of France</i>
Germany	<i>Federal Statistical Office of Germany (Destatis) Deutsche Bundesbank</i>
Greece	<i>Bank of Greece</i>
Hungary	<i>Hungarian Central Statistical Office Hungarian National Bank</i>
Ireland	<i>Central Statistics Office Central Bank of Ireland</i>
Italy	<i>ISTAT The Bank of Italy</i>
Latvia	<i>Central Statistical Bureau</i>
Malta	<i>National Statistics Office – Malta Central Bank of Malta</i>
Netherlands	<i>Statistics Netherlands Central Bank of the Netherlands</i>
Poland	<i>Statistics Poland National Bank of Poland</i>
Slovakia	<i>Statistical Office of the Slovak Republic National Bank of Slovakia</i>
Slovenia	<i>Statistical Office of the Republic of Slovenia</i>
Spain	<i>National Statistics Institute The Bank of Spain</i>
Sweden	<i>Statistics Sweden Central Bank of Sweden</i>
Norway	<i>Statistics Norway Central Bank of Norway</i>
Turkey	<i>Turkish Statistical Institute Central Bank of Turkey</i>