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For Discussion

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

C.7 Treatment of Travel Packages, Health-Related Travel, and Taxes and Fees on Passengers' Tickets¹

The issues discussed in this Guidance Note (GN) are related to the items “travel” and “passenger services” as defined in the Balance of Payments and International Investment Position Manual, sixth edition (BPM6). Although the current concepts seem to be straightforward on how to record related transactions, some uncertainties remain, and the compilers asked for further clarification. The GN sheds some light on these issues and proposes amendments to be considered in the updated BPM6, but with no radical changes in their future treatment. However, the treatment of package tours also affects the SNA, and a call for an explicit conceptual discussion in both manuals was expressed by compilers. Originally, this issue was covered within the framework of GN C.4 “Merchandising and Factoryless Producers; Clarifying Negative Exports in Merchandising; and Merchandising of Services”, which was jointly prepared with the GZTT and was discussed by the joint Committee on Balance of Payments Statistics (Committee)/National Accounts Advisory Expert Group (AEG) meeting in October 2021. The meeting decided that the research into the package tours would continue as part of this GN. As a result, a survey among the EU members was conducted by Eurostat during December 2021–January 2022. This Note presents the results of this survey, which explored in more detail the treatment of package tours by national accountants and balance of payments compilers and the data sources used by them.

SECTION I: THE ISSUE

BACKGROUND

Package Tours

1. **Package tours can play an important role in a country’s travel statistics, and their correct treatment is therefore of importance in recording the related transactions in the National Accounts (NA), as well as in the bilateral balance of payments comparisons.** Clarification is needed to determine if and to what extent services included in the package tours have to be unbundled to fulfil the *System of National Accounts 2008 (2008 SNA)* and *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* conceptual requirements.

Health Related Travel

2. **Health-related travel is currently a supplementary item under the standard item “personal travel” in BPM6 (paragraph 10.94 (a)).** According to the definition, health-related travel covers “medical and dental services, other health care, food, accommodation and local transport” acquired by persons traveling abroad for medical reasons. However, confusion may arise because health expenditures by those not traveling for health purpose (e.g., persons receiving health services during a holiday trip) are included under “*all other personal travel*” subcomponent (paragraph 10.94 (c)).

¹ Prepared by Mr. Jens Walter (Germany), Ms. Baby Mogapi (Botswana), Ms. Angsupalee Wacharakiat (Thailand), Ms. Silvia Matei (IMF), and Mr. Robert Leisch (Eurostat).

3. **This fact raises ambiguities in the interpretation of who is to be considered as “persons traveling abroad for medical reasons.”** Different interpretations of what can/cannot be considered as “medical reasons” and who can/cannot be considered as “health travelers” could lead to differences in the coverage of “health-related travel” when comparing data across countries. National compilers have asked that these points be explicitly clarified and further elaborated in the updated *BPM6* to support a harmonized treatment across countries.

Taxes and Fees on Passenger Tickets

4. **Passenger services, as defined in *BPM6* paragraph 10.76, cover the transport of people, including all services provided in the international transport of nonresidents by resident carriers and that of residents by nonresident carriers.** The current valuation of passenger transport includes fees payable by the carriers to travel agencies and other providers of reservation services (including platforms). *BPM6* paragraph 10.77 further highlights that “passenger services include fares and other expenditure related to the carriage of passengers, including any taxes levied on passenger services such as sales or value added taxes.”

5. **The reasoning for the inclusion of taxes and fees on passenger tickets under passenger services is that in former times they have been considered not to be essential compared to the value of the fare.** However, with the diversification of the airline market for passengers in the last decade—especially the emergence of low-cost carriers (LCCs)—such inclusion may not be justified anymore. Today the additional cost to be paid such as taxes, fees, etc. often exceed the actual ticket price significantly. In this respect, it might be appropriate to no longer show these costs under passenger expenses but under other current account items.

6. **This Guidance Note (GN) discusses possible future presentations of these items in the updated *BPM6*.**

ISSUES FOR DISCUSSION

Package Tours

7. **It is crucial to note that the *BPM6* mentions package tours only in the context of passenger transportation, but not in the context of travel.** Paragraph 10.77 indicates that passenger services include fares that are a part of package tours. However, the *BPM6 Compilation Guide (BPM6 CG)* mentions the issue under travel surveys (paragraph 3.234), which is a logical occurrence, indicating that compilers must solve the problem of splitting the expenditures, in the case of package tours into passenger fares and the other travel components.² By this, the *BPM6* and its *CG* are sending a fundamental message, that the traveler purchases the services which are part of the package directly from the producers and not from the tour operator (TO). This message deserves a closer analysis in this context.

² A further hint is given in *BPM6* paragraph 10.98: “Travel services may be arranged through a travel agent, tour operator ...other providers. In some of these cases, the agent may pay the travel providers an amount that deducts a margin or commission. If the agent is a resident of the same economy as the customer, then the margin or commission is a resident-to-resident transaction, and the net amount payable to service providers resident in other economies (after the margin or commission receivable by the agent is deducted) is included in travel...”

8. **The above references lead to the conclusion that the TO does not produce a new tourism product, and it should be treated similarly to a travel agency providing a separate (intermediation) service to the traveler.** On the other hand, this view could be questioned because the traveler buys the package from the TO and pays a single price for it. In addition, the TO may bear the liability for any unforeseen changes and even refund the traveler in case the tour does not take place. The *European System of National and Regional Accounts in the European Union, 2010 (ESA 2010)*³ takes exactly this position.

9. **This specification in the ESA 2010 is unique and not shared by other international standards.** However, this view dates back from the previous version of the *ESA 1995*.⁴ An explanation for this specific treatment is given in the room document *Differences between SNA 1993 and ESA 1995*, presented at the joint UNECE-OECD-Eurostat Meeting of National Account Experts (Geneva, April 30–May 3, 1996).⁵ The following (and only) reason is provided: “Valuing the output of tour operators by the full expenditure by travelers is in line with the latest proposal for the Classification of individual consumption by purpose (COICOP) ...which includes a subgroup for “package holidays”.

10. **In the current COICOP 2018 version,⁶ the subgroup for package holidays still exists (code 09.08).** However, it is worth mentioning that this version specifically mentions package tours (class “F. Bundled goods and services”) stating that “single expenditure outlays (i.e., where there is no itemized price information for the individual goods or services) may sometimes comprise a bundle of goods and services that serve two or more different purposes. For example, the purchase of: ... all-inclusive package tours...”. It continues to say that “Single outlays covering two or more purposes and not separately invoiced are dealt with on a case-by-case basis with the objective of obtaining a purpose breakdown that is as precise as possible and consistent with practical considerations of data availability”. It could be inferred from this that the subgroup “package holiday” was only created for the cases where the package cannot be split into its components.⁷

11. **It is important to acknowledge that only the practical reason played a role in the classification, and not any economic or analytical reasons.** Therefore, it can be concluded that the current treatment of package tours in the *BPM6* (i.e., the TO does not sell a distinct product but a basket of tourism services including the service for arranging the trip) is in line with the COICOP principles. It is also relevant to note that this view—which differs from the *ESA 1995*—was shared by the Eurostat Travel Task Force Report of 1996 shortly after the introduction of *ESA 1995*.

12. **In addition, there are other arguments that support the unbundling of packages.** For example, it could be argued that the services acquired by the TO (transportation, accommodation, etc.) cannot be consumed by it when “producing” the tour package. This aspect is essential when considering

³ “The output of tour operator services is measured by the full expenditure made by travelers to the tour operator”; “...tour operator services create a new product called a tour, which has various components of travel, accommodation and entertainment” (*ESA 2010*, paragraphs 3.61 and 3.62)

⁴ See paragraph 3.62 in *ESA 95* <http://aei.pitt.edu/52185/1/1995.pdf>

⁵ <https://www.oecd.org/sdd/na/2666377.pdf>

⁶ https://unstats.un.org/unsd/classifications/unsdclassifications/COICOP_2018_-_pre-edited_white_cover_version_-_2018-12-26.pdf

⁷ See also explanation to code 09.08

the transformation of these services into a new product. In fact, these services are consumed (and recorded in the international accounts)⁸ by the traveler weeks or months after the tour was booked and payments were made to the TO. More arguments are given by the World Tourism Organization in its 2004 Paper “*Clarifying the Treatment of Travel Agency, Tour Operator, Travel Agency Services, and Package Tours in SNA, Balance of Payments, and TSA and their Mutual Relationship*”.⁹

13. **This GN highlights the need to minimize the differences in the recommendations of the SNA and BPM with regard to the TO by referring to the “*The Tourism Satellite Account: Recommended Methodological Framework 2008 (TSA)*”, which was developed by the OECD, Eurostat, World Tourism Organization (WTO) and UNSD and approved by the Statistical Commission in 2000.** One of the arguments against the treatment of package tours as distinct products is that the purchases of the TO (accommodation, transport, etc.) have to be treated as intermediate consumption. By definition, these purchases are then not part of the travel item in the balance of payments, as travel is defined as the goods and services acquired from an economy by nonresidents during their visit to this economy.¹⁰ This criterion is definitely not fulfilled by a TO. Consequently, these purchases must be recorded in other extended balance of payments services (EBOPS) categories, to be defined. But even if this problem is solved, such a treatment would also deteriorate the analytical value of the travel item, as the consumption of the “package-traveler” would appear as an intermediate consumption of the TO. The travel item would then have to be construed around the organization of the trips (package or not).¹¹

14. **As noted above, the treatment of the package as a “new product” is not supported by the international standards.** The 2008 SNA, in a footnote to Table 29.1, states that “The value of ... consumption products is net of the gross service charges paid to travel agencies, tour operators, and other reservation services”. In this context, consumption products refer to tourism-specific products, consisting of accommodation, transportation, etc. (i.e., these products are seen separately and not as part of the service charge received by the TO or travel agency). Although a reference in a satellite account could not be interpreted as a proof for the treatment in the core accounts, however the work to develop the TSA and the agreement by the Statistical Commission could be seen as a “natural” extension of the core SNA rules.

15. **A similar view is expressed by the *International Recommendations for Tourism Statistics 2008 (IRTS 2008)*.** Paragraph 6.62 states: “All components of a package tour, including the value of the service of the tour operator and of the travel agency, are considered as directly purchased by visitors”. Furthermore, the Central Product Classification (CPC) (version 2.1), subclass 85540 “Tour Operator Services” can be interpreted in the way that only “arranging, assembling, and marketing services” are assigned to this subclass and not transportation, accommodation, etc. The latter services are understood

⁸ BPM6 paragraph 3.47 states: “Transactions in services are recorded when the services are provided...”

⁹ Enzo Paci Papers Vol.4, 2004 World Tourism Organization, <https://studylib.net/doc/8697130/clarifying-the-treatment-of-travel-agency--tour-operator-...>

¹⁰ BPM6 paragraph 10.86: “Travel credits cover goods and services for own use or to give away acquired from an economy by nonresidents during visits to that economy. Travel debits cover goods and services for own use or to give away acquired from other economies by residents during visits to these other economies”.

¹¹ A treatment of a package as a distinct product would lead to several changes in the balance of payments because the purchase of any tourism services like accommodation are currently only reflected in travel.

as part of other (service) products that are provided by entities other than those classified in ISIC Rev.4 class 7912 (corresponding to subclass 85540 in CPC).

16. **In sum, it could be concluded that over the last two decades all the international standards are consistent that package tours should not be treated as a distinct product and even during their updates no changes of this treatment can be noted.**

17. **This GN also considers the practical aspects of recording.** Following up to the recommendation from the October 2021 joint Committee on Balance of Payments Statistics (Committee)/National Accounts Advisory Expert Group (AEG) meeting in the context of *GN C.4* “Merchandising and Factoryless Producers; Clarifying Negative Exports in Merchandising; and Merchandising of Services on Bundled Products”, Eurostat conducted a survey among balance of payments and NA compilers concerning the treatment of Tour Operators in *ESA 2010* and *BPM6* in December 2021. The questionnaire was sent out to all EU Member States and some other European countries. This survey (see Annex II) received responses from 18 NA and 18 balance of payments compiling agencies. Using three of the most likely situations related to package tours provided by TO, the survey intended to collect information on (i) how the compilers record/compile the specific transactions related to package tours that are provided by TO; (ii) if the NA compilers see the need for (and favor) some unbundling (separating domestic from non-domestic components); and (iii) what extent the balance of payments compilers are able to unbundle the related transactions correctly based on available data sources and for which cases unbundling is difficult or impossible (i.e., to separate international transportation but also to determine if the residency criteria and the correct geographical allocation is fulfilled for each service in the package).

18. **The results of the survey show that most national accountants have no problem in collecting data according to the *ESA 2010* (TO as a new product) in the cases where the TO is a resident of the compiling economy.** Usually, information from Structural Business Statistics (SBS) is used. However, the situation tends to become more complicated when it comes to resident-nonresident transactions. The information is usually obtained from the balance of payments data, which are often built on households or border surveys. The balance of payments information (package tours purchased by households) is used as such. In the case NA compilers make no additional corrections, such as separating domestic from cross border transactions for the purchased package tours by households, a potential double counting between SBS data (including the intermediary consumption) and balance of payments (travel imports) is likely. This would negatively impact on the accuracy of GDP and implicitly GNI. Therefore, and not surprisingly, a slight majority of NA compilers see the need for unbundling the package tour into its domestic and non-domestic components to avoid this risk. Overall, nine European NA compiling agencies indicated that they use the same unbundled data for package tours based on travel statistics or balance of payments for compiling the NA figures.

19. **Balance of payments compilers in turn mentioned that the surveys are usually not designed in a way to adequately collect all the components.** In consequence, the parts of the package provided by resident agencies or airlines are estimated, and the rest is attributed (e.g., in case of imports) to the country visited. In sum, compilers from most countries judge the unbundling as challenging but feasible.

20. **In the cases where the TO is located in another country, both communities found it difficult or impossible to prepare conceptually adequate estimates largely due to information shortages.** In theory, the different treatments under *ESA 2010* and *BPM6* would lead to inconsistent

recordings in the country where the TO resides.¹² In the country of destination, the balance of payments statistics mostly uses the information collected from the service providers, which is subsequently used by the NA.

21. **Due to the different treatments in *BPM6* and *ESA 2010*, compilers see the need for further and harmonized guidance.** The problem is best described by Norway as follows: “We welcome this discussion and hope that we can achieve harmonized standards and reduce asymmetries. Norway submits only one reply as the NA and balance of payments are already integrated, which means that we are not fully compliant with the inconsistent manuals”. In other words, integration of balance of payments and NA need consistent manuals.

Health Related Travel

22. **In the context of health-related travel, the ambiguity in interpreting “persons traveling abroad for medical reasons” is twofold.** First, should “medical reasons” be restricted to “treatment of disease provided to patients by hospitals/clinics”, or should they be broadly defined to also include cosmetic surgery/wellness spa? Second, should companion(s) accompanying person(s) travelling abroad for the purpose of receiving medical treatment be covered under the “health-related travelers” as well?

23. **A starting point to defining a reasonable scope of the types of “health care services” to be included under the “health-related travel”, could be the definition of “health and medical care” in the *IRTS 2008*. Paragraph 3.17 of the *IRTS 2008* states:**

“Health and medical care: This category includes for example, receiving services from hospitals, clinics, convalescent homes and, more generally, health and social institutions, visiting thalassotherapy and health and spa resorts and other specialized places to receive medical treatments when they are based on medical advice, including cosmetic surgeries using medical facilities and services.”

24. **Although the definitions of “travelers” in *BPM6* context and “visitors” in *IRTS* are not identical, adopting *IRTS*’ scope of “health and medical care” (see above) to explain the term “medical reasons” when defining “health-related services” in the *BPM* context, should improve the comparability of tourism statistics produced by different international statistical standards.** This would also facilitate their analytical use by users such as analysts and policy makers, and foster serviceability of tourism-related indicators.

25. **On the treatment of companions accompanying traveling patients, *BPM6* (para. 4.121) merely specifies that “...the residence of accompanying dependents of patients is determined in the same manner as the persons they accompany.”** However, neither *BPM6* nor other relevant

¹² Take the example of a traveler resident in Country A and visiting Country C, who is purchasing the package from a tour operator located in Country B. Assuming that the total price of the package is 1000, of which 600 for accommodation in Country C, 300 for international transportation (airline resident in Country A), and the service charge of the tour operator of 100. Under the *ESA* rules, Country A should record 1000 imports from Country B. However, since balance of payments data are used, Country A would ideally record 100 imports from Country B (service charge of the tour operator) and 600 from Country C (accommodation), while transportation is treated as a resident-to-resident transaction. On the other hand, Country B records 1000 as exports (likely under travel) via *ITRS* or direct reporting systems and 300 as imports for transportation. Furthermore, 600 as imports from C are recorded. Country C records from border survey or direct reporting 600 as exports against either Country A or Country B.

international manuals and guidelines consulted (*BPM6 CG, IRTS 2008, Manual of Statistics in International Trade in Services 2010 (MSITS 2010)*, and *OECD System of Health Accounts (SHA) 2000*) suggest a broader interpretation of “health-related travelers” to also include traveling patients’ companions.

Taxes and Fees on Passenger Tickets

26. **The key conceptual question in regard to taxes and fees on passenger tickets is whether the inclusion of these components in passenger tickets is consistent with the basic structure of the balance of payments, which details the breakdown of services and separates services from transfers (i.e., air transport taxes or airport taxes in this case).**

27. **The price of an airline ticket is a very complex item nowadays.** Transport-related taxes and fees can add up to as much as the base fare, if not more, that is the fare to be paid to transport a passenger from the airport at the actual place of departure to the airport at the final destination. It is usually calculated in accordance with the tariff applicable on the day of booking and the intended flight dates. However, such fares could also include some surcharges (e.g., a fee based on the cost of fuel) which an airline levies, for example, navigational aid, peak travel, or insurance. Furthermore, a ticket price also includes several taxes and fees imposed by the state or local government, or by another authority, or by the operator of an airport regarding services provided to the passenger. All these additional charges could vary at the time of booking, from airline to airline, region to region, and country to country. These taxes and fees are usually collected from the airline companies directly and are then passed on to the passengers.

28. **From a conceptual perspective, it can be concluded, that all these taxes and fares are an integral part of the ticket price (i.e., the *BPM6* market price for services which is equivalent to the 2008 SNA purchaser price (see *MSITS 2010*, paragraph 3.52)); the passenger has to pay to be moved from the place of departure to the place of final destination.** From an economic perspective, the airline is not able to provide the transportation service without paying fees and taxes for each passenger it transports to the relevant authorities or service providers, including the airport security. It is therefore not suggested by the team to record taxes and fees separately from the base fare.

SECTION II: OUTCOMES

RECOMMENDATIONS

Package Tours

- **As discussed above, there is a clear call from both communities to provide more conceptual and methodological guidance in the revised SNA, the BPM, and the associated compiler guides.** The arguments provided above lead the authors to recommend that a package tour should not be treated as a new product, but as a basket of at least three major services. According to the TSA, these are: “the services themselves (for example, transport, accommodation), the services provided by the tour operator, and the margin of the travel agency (usually different from the tour operator) selling the tour”. The authors also agree with the WTO suggestions in the paper cited in footnote 9 to (i) cover the case of package tours in the updated SNA version under “Rearrangements

of Transactions”, (ii) clarify that packages need to be unbundled into their components; and (iii) consider the service of the TO as a fee on a contract basis and recorded separately (according to the current *BPM6* treatment). For the BPM, it is suggested that due to its complexity and international relevance, conceptual guidance be provided in a separate box under travel. The box should provide a definition of a package tour, echoing the reasoning given in the updated *SNA* and emphasizing the cross-border aspect of unbundling the package, and the recording of the TO margin. More detailed guidance about the techniques to unbundle and data sources should be given in the appropriate section of the Compilation Guide.

- **Due to the short time since the October 2021 Committee/AEG meeting, it was not possible for the authors to provide more concrete proposals of definitions or paragraphs for the updated standards.** However, the TSA is already a rich source and can be used as reference in the upcoming drafting process.

Health Related Travel

- **The term “medical reasons” should follow the scope of “health and medical care” as specified in IRTS 2008.** The updated *BPM6* and/or updated *BPM6 CG* should include text that clearly specifies cases that can/cannot be considered as “persons traveling abroad for medical reasons”. For example, the IRTS indicates it is “covering services from hospitals, clinics, convalescent homes, health and social institutions, thalassotherapy, health and spa resorts, other specialized places to receive medical treatments based on medical advice, as well as cosmetic surgeries using medical facilities and services”. Harmonizing the definitions would promote comparability with tourism-related indicators, and better serve data requirements of users, such as analysts and policymakers. If the proposed change to *BPM6* is adopted, the *MSITS 2010* should also be revised accordingly.
- **Treatment of “companions accompanying traveling patients” should clearly (i) indicate their residence and (ii) specify the sub-category where their spending is included.** In determining companions’ residence, *BPM6* (para. 4.121) clearly specifies that “...*the residence of accompanying dependents of patients is determined in the same manner as the persons they accompany*”. This treatment should remain in the updated BPM as the intention of the “companions” is to “accompany the traveling patients” and therefore, their duration of stay abroad and center of economic interest would follow that of the traveling patients. This, however, does not imply or require that “companions” be treated as “health-related travelers”.
- **In regard to specifying the category for the “companions’ spending”, the rationale behind having a sub-category of “health-related travel” under “personal travel”, and practicality of data collection needs to be considered.** Details on the usage of data on “health-related travel” and potential data sources are elaborated in the Annex I. Two options are proposed for consideration:
 - Option 1: Categorizing both the patients and their companions as “health-related travelers”; and record all companions’ expenses under “health-related travel”.
 - Option 2: Categorizing patients’ companions as “normal travelers”; and record all companions’ expenses under “other personal travel”.
- **The pros and cons, and prerequisites, for getting a good estimate of travel expenses for each option are illustrated in the Annex I.** To assist compilers in interpreting the case and scoping the

estimates for each sub-category, a clear definition of “patients’ companions” should also be provided in the updated manual or the Compilation guide.

- **To ensure consistency within the classification of travelers to relevant sub-categories of “travel” in the BOP context, similar issues, for instance regarding the treatment of companions of education-related travelers, should also be discussed.** However, this topic is outside the scope of this GN and could be discussed in a separate Note for clarification that could apply a similar reasoning as with the proposed treatment of companions of health-related travelers. A separate paragraph or a box in the updated *BPM6* and/or the related Compilation guide should be dedicated to comprehensively elaborating companions’ cases, the recommended treatment, as well as the rationale behind the recommendations.

Taxes and Fees on Passenger Tickets

- **No change to the *BPM6* is proposed as the current treatment is considered conceptually sound and in line with the purchaser price concept used in the 2008 SNA.**

Questions for Discussion:

1. *Does the Committee and AEG agree that the various service components sold in a package tour should be unbundled and not be treated as a distinct product in the SNA and the BOP?*
2. *Does the Committee and AEG agree to explicitly mention unbundling of package tours under “Rearrangement of transactions” in the updated SNA and to add a box under travel in the updated BPM to provide a clearer methodological guidance supporting the unbundling of package tours?*
3. *Does the Committee and AEG share the view that the term “medical reasons” should follow the scope of “health and medical care” according to IRTS 2008?*
4. *Does the Committee and AEG agree that the residence of the patients’ companions be treated in the same way as traveling patients and a definition of “patients’ companions” be provided in the Compilation Guide?*
5. *Which of the two options is favored by the Committee and AEG in recording travel expenses for the traveling patients’ companions?*
6. *Does the Committee and AEG agree that questions with regard to the treatment of companions of education-related travelers (similar to the questions on health-related travel) be added to the list of issues for clarification?*
7. *Does the Committee and AEG agree with the proposal not to change the BPM6 with regard to the treatment of taxes and fees on passengers’ tickets?*

REFERENCED DOCUMENTS

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Annex I. Health-Related Travel: Under Which Sub-Category of Personal Travel Should We Record Expenses of Traveling Patients' Companions?

In deciding the appropriate sub-category under “personal travel” to record “travel expenses of traveling patients’ companions”, the following factors can be considered:

1. Practicality of Data Collection¹³

1.1 Number of Traveling Patients and Their Companions

The following are potential data sources for the number of patients and their companions (for inbound travel):

- Immigration Office: If the patients and companions require a special visa type to enter the host country, the immigration office may be able to segregate the traveling patients and companions from other types of visitors. However, if the patients and companions can enter the host country using regular tourist visa or even without a visa, it would not be feasible for the immigration to distinguish them from other types of visitors. Arrival/departure cards may not contain sufficiently comprehensive records to help identify patients’ companions. Moreover, several countries have already abolished (or have a plan to soon abolish) arrival/departure cards, so it is becoming less and less likely that the immigration office would be a plausible data source for the total number of patients and companions.
- Hospitals/Clinics (i.e., medical treatment service providers): Conducting a survey/direct report on hospitals/clinics receiving nonresident patients would be a comprehensive data source for the number of patients, but not necessarily on the companions. Hospitals/clinics would have information on the number of companions only if the companions stay in the hospitals/clinics together with the in-patients. For out-patient cases, or in-patients staying in the intensive care units, companions would require staying in the accommodations outside of the hospital complex (and these cases are likely to outweigh the number of cases where companions are allowed to stay in the hospitals/clinics together with the patients). In this case, hospitals/clinics would not be aware of the number of companions.
- Ministry of Health (MOH) or Health-Related Authorities: For countries whose MOH requires hospitals/clinics to report data regularly (i.e., direct report), the MOH could be a potential data source for the number of patients and their expenses. However, as for companions, similar concerns to those described above (under “hospitals/clinics” paragraph) will still hold.

1.2 Spending of Traveling Patients and Their Companions

The following are potential data sources for the spending of patients and their companions (for inbound travel):

- Hospitals/Clinics (i.e., medical treatment service providers): Similar to the number of patients and companions, conducting a survey/direct report on hospitals/clinics receiving nonresident patients would be a comprehensive data source for patients’ expenses, but not necessarily on the

¹³ The conceptual framework laid out here is primarily for compiling data on inbound travel. Outbound travel would require different approaches and data sources.

companions. For in-patients, expenses charged by the hospitals/clinics would likely include medical treatment, transport (ambulance to/from hospitals/clinics), hospital room and board, and other applicable fees. Expenses unknown to the hospitals/clinics would be those paid by the patients during their extended stay/trip (if any) after discharge, or on-line shopping while staying in the hospitals/clinics (if any), or all non-medical treatment charges for the case of out-patients. As for companions, their entire expenses would likely be unknown to the hospitals/clinics, particularly for cases where companions are not allowed to stay overnight in the hospitals/clinics together with the patients.

- Exit Survey for Patients: Patients would have full information on their expenses paid to the hospitals/clinics and can perhaps provide information on expected expenses during their extended stay/trip after leaving the hospital. Patients may also be in the position of providing information on companions' expenses if they pay/cover for expenses of dependent companions. On the other hand, if the patients are the dependents of the companions, or the patients and companions are financially independent of each other, the companions' expenses could be unknown to the patients, and they would not be able to provide information on the companions' behalf. Moreover, willingness of the patients to provide information to the voluntary exit survey could be a major concern, particularly in providing information on expenses irrelevant to medical treatment.
- Tourism Survey: The sample survey conducted on nonresident visitors generally serves as common data source for estimating travel receipts. Information breakdown by country of residence, income range, etc., allows compilers to calculate average expenses of visitors for different clusters/categories of visitors (with certain level of homogeneity within each cluster/category), thereby yielding reasonable estimates of travel receipts as a whole. However, for patients, medical expenses tend to vary tremendously across diseases/treatment techniques, hence hindering compilers from forming "clusters" when calculating average expenses for patients. This affects the quality of the average expenses calculated from the sample and the estimated health-related travel receipts as a whole. For instance, expenses on minor cosmetic surgery or dental care would differ from expenses on cardiovascular surgery or neurosurgery by many folds. Unlike the case of estimating expenses of normal tourists, applying arithmetic or geometric average of medical expenses to the number of patients would not yield reasonably good estimates of health-related expenses. Inclusion of companions as part of the headcounts of patients could further deteriorate the estimates, given that companions' spending is not in a similar scale or resemble the nature of patients' spending.

2. Usage of "Health-Related Travel" as a Sub-Category Under "Personal Travel"

The rationale behind having a sub-category of "health-related travel" under "personal travel" in *BPM5* and *BPM6* needs to be examined. Understanding the intended usage of "health-related travel" could help justify appropriate categorization for travel expenses of the patient's companions.

If key data users of "health-related travel" are policy makers for healthcare sector, the main focus would likely be on the measurement of the size of "exports of healthcare services" provided to nonresident patients traveling with the primary purpose of receiving medical services. The data for this sub-category would be a useful indicator for policy formation and strategic planning for export of healthcare services (especially in countries where the healthcare cluster is a significant or strategic driver of the economy). In this case, bundling the spending by "companions of traveling patients" into "health-related travel" could

blur the analysis and cause misleading conclusions drawn from disseminated figures. The intention of “companions” is to “accompany traveling patients”, rather than to “receive medical treatment” themselves or medical advice. Moreover, companions’ expenditures on goods and services while traveling with the medical patients likely resemble the spending categories of regular tourists (e.g., accommodation, food and beverages, transport, shopping, etc.); these kinds of services are not provided by typical healthcare institutions. Therefore, bundling the spending by “companions of traveling patients” into “health-related travel” could limit the usability of statistics produced.

3. Proposed Options for Treatment of Patients’ Companions and Their Expenses

Drawing from the pros and cons of different data sources and usage of the “health-related travel” data as elaborated above, two options are proposed for categorizing patients’ companions and their expenses:

Option 1: Categorizing both the patients and their companions as “health-related travelers”; and record all companions’ expenses under “health-related travel”.

Getting a good estimate of “health-related travel” for Option 1 requires the followings:

- A. Data sources (immigration office/hospitals) allow segregating patients’ companions from normal tourists.
- B. For companions’ travel expenses, the country must be able to either (i) collect data directly from the companions; or (ii) identify “patients’ companions” in the tourism survey samples and derive “average spending” of this “companion cluster” and apply this average to A.
- C. If companions’ travel expenses are not negligible as compared to patients’ expenses, disaggregation of the companions’ portion would be useful for data users who may have specific interest to only the portion which is closely linked to healthcare sector (i.e., patients’ expenses), particularly policy makers and strategic planning units for healthcare sector.

Option 2: Categorizing patients’ companions as “normal travelers”; and record all companions’ expenses under “other personal travel”.

Under this option, “patients’ companions” are treated in the same way as “normal tourists”, so compilers need not distinguish between the two groups. Estimation of “other personal travel” can be performed in the same way as with the currently derived estimates for travel receipts (e.g., applying average expenses (by country of residence/cluster/or as a whole) to the average length of stay and the number of tourists; using ITRS; using data on credit card usage and money changers, etc.). Option 2 is also analogous to the case of companions accompanying business travelers (i.e., companions’ travel expenses are treated as “personal travel” rather than “business travel”).

A complication with this option would be, that it would lead to conceptual inconsistencies as the one-year rule of residency applicable for “normal tourists” would not apply for companions (i.e., their center of economic interest would follow the one of the patient).

Survey concerning the treatment of TourOperators in *ESA2010* and *BPM6*

Please reply by 17 January 2022

Introduction

Dear members of the BOPWG and NAWG,

We are conducting this survey as part of the revision of the *BPM6* and 2008 SNA. Your responses will be used for making a decision supporting a harmonized recording of the tour operator expenses in the new manuals.

The questionnaire starts with an identification section, followed by some background information and three different scenarios that attempt to illustrate the potential different outcomes based on the respective recordings of *ESA2010* and *BPM6* for tour operators. For each proposed scenario, you are asked to provide comprehensive information about your current compilation practices based on the recording standards of *ESA2010* and *BPM6*, as applicable, and available data sources. This information would allow us to identify major deviations from the recommended recording caused by current limitations in data sources, supporting thus the improvement of the guidance for the recording of package tours in the next set of manuals. Finally, some questions are addressed separately to balance of payments (BOP) and national accounts (NA) compilers trying to clarify to what extent the existing data sources support the unbundling of package tours expenditures of tour operators.

If you have any questions, please do not hesitate to contact: Robert.LEISCH@ec.europa.eu

Identification

Country

Institution

Domain (BOP or NA)

Name, Position and Email address

Background Information

Currently, the treatment of tour operators differs in ESA2010 vs. BPM6/2008 SNA. The ESA2010 states in

§3.61 that “The output of tour operator services is measured by the full expenditure made by travelers to the tour operator”. In contrast, the BPM6 recommends recording the package components separately, including the intermediation fee of the tour operator and the input services.[1] In Europe, the divergent treatment in the manuals can result, under some specific scenarios, in different recordings for the BOP and NA.

The inconsistency in the treatment of tour operators in the BPM6/2008 SNA and ESA 2010 was discussed in the February 2021 BOPCOM as part of the Current Account Task Team (CATT)’s Guidance Note C7 - Treatment of travel packages, health-related travel, and taxes and fees on passengers’ tickets, and was continued later in the joint BOPCOM/AEG meeting of October 2021 as part of the Guidance Note C.4 – Merchanting and Factoryless Producers; Clarifying Negative Exports in Merchanting; and Merchanting of Services. However, views were split, and a testing was recommended to gauge the practical implications of unbundling of services before deciding.

As a follow up, the last CATT meeting proposed that the testing exercise should be carried out among the European BOP and NA communities considering the relevance of this issue for the EU Member States (ESA2010 vs. BPM6). The results of this survey will be presented at the next joint AEG/BOPCOM meeting in March 2022 and will support a final decision on the treatment of tour operators.

[1] §10.98 in BPM6 notes that “travel services may be arranged through a travel agent, tour operator, time-share exchange agent, or other provider. In some of these cases, the agent may

pay the travel providers an amount that deducts a margin or commission. If the agent is a resident of the same economy as the customer, then the margin or commission is a resident-to-resident transaction, and the net amount payable to service providers resident in other economies (after the margin or commission receivable by the agent is deducted) is included in travel. In other cases, the nonresident provider of the services may pay the resident agent's commission and the gross amount is payable by the customer to nonresidents, and thus is included in travel." §10.77 notes "Passenger services include fares that are a part of package tours." In the 2008 SNA table 29.1 demonstrates that tour operators should be treated as intermediaries similar to travel agents.

Three typical scenarios for recording transactions related to tour operators

Case 1:

- 1) A tourist resident in country A wants to visit country C and buys a package tour from a travel agent, resident in country A, for 1000 €
- 2) The travel agent charges 50 € as intermediation fee
- 3) The travel agent intermediates in the procurement of the package tour from a tour operator (TO), resident in country A, for 950 €
- 4) The TO charges 100 € for his intermediation service
- 5) As input services, the TO buys transport services for 300 € from an enterprise resident in country A and accommodation for 550 € from an enterprise resident in country C

In the table below, you can find the proposed recording in BOP and NA for countries A and B, assuming all information is available:

Manual	Country	Transactions	Exports	Imports	Domestic transactions
ESA2010	A	Tourist -> Travel agent	-	-	(50)
	A	Tourist -> Tour operator	-	-	(950)
	A	Tour operator -> Package tour service providers	-	-	(300)
	A		-	(550 via C)	-
BPM6	A	Tourist -> Travel agent	-	-	(50)
	A	Tourist -> Tour operator	-	-	(100)
	A	Tourist -> Airline	-	-	(300)
	A	Tourist -> Hotel	-	(550 via C)	-

Manual	Country	Transactions	Exports	Imports	Domestic transactions
ESA2010	C	Hotel -> Tour operator	(550 via A)	-	-
BPM6	C	Hotel -> Tourist	(550 via A)	-	-

From the perspective of country A, and based on your current compilation standards, please indicate your actual recording for each of the transactions listed in the table below (the top lines for NA and below for BOP). Please also indicate the data sources employed.

For country A	Exports	Imports	Domestic transactions	Data sources
NA: Tourist -> Travel agent				
NA: Tourist -> Tour operator				
NA: Tour operator -> Package tour service providers				
NA: Tour operator -> Package tour service providers				
BOP: Tourist -> Travel agent				
BOP: Tourist -> Tour operator				
BOP: Tourist -> Airline				
BOP: Tourist -> Hotel				

From the perspective of country C, and based on your current compilation standards, please indicate your actual recording for the transaction listed in the table below (the top line for NA and below for BOP). Please also indicate the data sources employed.

For country C	Exports	Imports	Domestic transactions	Data sources
NA: Hotel -> Tour operator				
BOP: Hotel -> Tourist				

Case 2:

- 1) A tourist resident in country A wants to visit country C and buys a package tour from a travel agent, resident in country A, for 1000 €
- 2) The travel agent charges 50 € as intermediation fee
- 3) The travel agent intermediates in the procurement of the package tour from a tour operator (TO), resident in country B, for 950 €
- 4) The TO charges 100 € for his intermediation service
- 5) As input services the TO buys transport services for 300 € from an enterprise resident in country B and accommodation for 550 € from an enterprise resident in country C

In the table below, you can find the proposed recording in BOP and NA for countries A, B and C, assuming all information is available:

Manual	Country	Transactions	Exports	Imports	Domestic transactions
ESA2010	A	Tourist -> Travel agent	-	-	(50)
	A	Tourist -> Tour operator	-	(950 via B)	-
BPM6	A	Tourist -> Travel agent	-	-	(50)
	A	Tourist -> Tour operator	-	(100 via B)	-
	A	Tourist -> Airline	-	(300 via B)	-
	A	Tourist -> Hotel	-	(550 via C)	-

Manual	Country	Transactions	Exports	Imports	Domestic transactions
ESA2010	B	Tour operator -> Tourist	(950 via A)	-	-
	B	Tour operator -> Package tour service providers	-	-	(300)
	B		-	(550 via C)	-
BPM6	B	Tour operator -> Tourist	(100 via A)	-	-
	B	Airline -> Tourist	(300 via A)	-	-

Manual	Country	Transactions	Exports	Imports	Domestic transactions
ESA2010	C	Hotel -> Tour operator	(550 via B)	-	-
BPM6	C	Hotel -> Tourist	(550 via A)	-	-

From the perspective of country A, and based on your current compilation standards, please indicate your actual recording for each of the transactions listed in the table below (the top lines for NA and below for BOP). Please also indicate the data sources employed.

For country A	Exports	Imports	Domestic transactions	Data sources
NA: Tourist -> Travel agent				
NA: Tourist -> Tour operator				
BOP: Tourist -> Travel agent				
BOP: Tourist -> Tour operator				
BOP: Tourist -> Airline				
BOP: Tourist -> Hotel				

From the perspective of country B, and based on your current compilation standards, please indicate your actual recording for each of the transactions listed in the table below (the top lines for NA and below for BOP). Please also indicate the data sources employed.

For country B	Exports	Imports	Domestic transactions	Data sources
NA: Tour operator -> Tourist				
NA: Tour operator -> Package tour service providers				
NA: Tour operator -> Package tour service providers				
BOP: Tour operator -> Tourist				
BOP: Airline -> Tourist				

From the perspective of country C, and based on your current compilation standards, please indicate your actual recording for the transaction listed in the table below (the top line for NA and below for BOP). Please also indicate the data sources employed.

For country C	Exports	Imports	Domestic transactions	Data sources
NA: Hotel -> Tour operator				
BOP: Hotel -> Tourist				

Case 3:

- 1) A tourist resident in country A wants to visit country C and buys a package tour from a travel agent, resident in country A, for 1000 €
- 2) The travel agent charges 50 € as intermediation fee
- 3) The travel agent intermediates in the procurement of the package tour from a tour operator (TO), resident in country B, for 950 €
- 4) The TO charges 100 € for his intermediation service
- 5) As input services the TO buys transport services for 300 € from an enterprise resident in country A and accommodation for 550 € from an enterprise resident in country C

In the table below, you can find the proposed recording in BOP and NA for countries A, B and C, assuming all information is available:

Manual	Country	Transactions	Exports	Imports	Domestic transactions
ESA2010	A	Tourist -> Travel agent	-	-	(50)
	A	Tourist -> Tour operator	-	(950 via B)	-
	A	Airline -> Tour operator	(300 via B)	-	-
BPM6	A	Tourist -> Travel agent	-	-	(50)
	A	Tourist -> Tour operator	-	(100 via B)	-
	A	Tourist -> Airline	-	-	(300)
	A	Tourist -> Hotel	-	(550 via C)	-

Manual	Country	Transactions	Exports	Imports	Domestic transactions
ESA2010	B	Tour operator -> Tourist	(950 via A)	-	-
	B	Tour operator -> Package tour service providers	-	(300 via A)	-
	B		-	(550 via C)	-
BPM6	B	Tour operator -> Tourist	(100 via A)	-	-

Manual	Country	Transactions	Exports	Imports	Domestic transactions
ESA2010	C	Hotel -> Tour operator	(550 via B)	-	-
BPM6	C	Hotel -> Tourist	(550 via A)	-	-

From the perspective of country A, and based on your current compilation standards, please indicate your actual recording for each of the transactions listed in the table below (the top lines for NA and below for BOP). Please also indicate the data sources employed.

For country A	Exports	Imports	Domestic transactions	Data sources
NA: Tourist -> Travel agent				
NA: Tourist -> Tour operator				
NA: Airline -> Tour operator				
BOP: Tourist -> Travel agent				
BOP: Tourist -> Tour operator				
BOP: Tourist -> Airline				
BOP: Tourist -> Hotel				

From the perspective of country B, and based on your current compilation standards, please indicate your actual recording for each of the transactions listed in the table below (the top lines for NA and below for BOP). Please also indicate the data sources employed.

For country B	Exports	Imports	Domestic transactions	Data sources
NA: Tour operator -> Tourist				
NA: Tour operator -> Package tour service providers				
NA: Tour operator -> Package tour service providers				
BOP: Tour operator -> Tourist				

From the perspective of country C, and based on your current compilation standards, please indicate your actual recording for the transaction listed in the table below (the top line for NA and below for BOP). Please also indicate the data sources employed.

For country C	Exports	Imports	Domestic transactions	Data sources
NA: Hotel -> Tour operator				
BOP: Hotel -> Tourist				

Questions

Questions for BOP compilers:

Q1: 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:

	Case 1	Case 2	Case 3
Country A: Tourist -> Travel agent			
Country A: Tourist -> Tour operator			
Country A: Tourist -> Airline			
Country A: Tourist -> Hotel			
Country B: Tour operator -> Tourist			
Country B: Airline -> Tourist			
Country C: Hotel -> Tourist			

Q1: Additional comments

Q2: 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?

Questions for NA compilers:

Q1: 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:

	Case 1: Unbundle transactions	Case 2: Unbundle transactions	Case 3: Unbundle transactions	Do you currently re-bundle transactions for package tours?
Country A: Tourist -> Travel agent				
Country A: Tourist -> Tour operator				
Country A: Tour operator -> Package tour service providers				
Country A: Airline -> Tour operator				
Country B: Tour operator -> Tourist				
Country B: Tour operator -> Package tour service providers				
Country C: Hotel -> Tour operator				

Q1: Additional comments

Q2: 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?

Q3: 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?

Many thanks for your valuable input and collaboration!