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**Travel—Implications of the Technical Sub-Group Position
for Balance Of Payments Statistics**

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TRAVEL—IMPLICATIONS OF THE TECHNICAL SUB-GROUP POSITION FOR BALANCE OF PAYMENTS STATISTICS

Background

At the last meeting of the Interagency Task Force on Statistics on International Trade in Services (IATFSITS), the World Tourism Organization presented a paper that comprehensively compared the concepts and definitions pertaining to the travel-related activities in the *BPM5*, *1993 SNA*, and Tourism Satellite Account (TSA). Such reconciliation of the statistical frameworks in the form of bridging issues has proved to be extremely helpful for identifying problems to be addressed in revising the *BPM5*. These problems were discussed at the first meeting of the Technical Sub-Group of the Interagency Coordination Group on Tourism Statistics (TSG) and the implications of the TSG conclusions on the *BPM5* revision are presented below in the same order as they are given in the *Note to the Balance of Payments Committee from the Interagency Coordination Group on Tourism Statistics* (BOPCOM-05/15).

1. Definition of BOP Travel item

Current international standards for the treatment of the issue

BPM5, Chapter XII, Travel: Paragraph 242 states that travel covers *primarily* the goods and services *acquired* from an economy by *travelers during visits* of less than one year in that economy.

SNA 93, Paragraph 14.110 states that tourism (receipts) cover *purchases of all* types of goods and services made by *nonresidents visiting an economy* for business or personal purposes, for less than one year.¹

MSITS, Chapter III, Paragraph 3.78 indicates that travel covers *primarily* the goods and services *acquired* from an economy by *travelers during visits* of less than one year to that economy.

¹ The rationale for such an approach is given in the *1993 SNA*, paragraph 100. Unlike the *1968 SNA*, the *1993 SNA* does not make a distinction between final consumption on a domestic and national basis, and therefore, does not separately identify direct purchases in the domestic market by nonresident households and resident households expenditures abroad within the classification of international transactions in services. Nevertheless, these direct purchases remain treated as separate adjustment items in the supply and use table or input-output tables, which comprise various types of goods and services that are lumped together as "travel" in the *BPM5*.

Concerns/shortcomings of the current treatment

- *The BPM5* defines the main party to undertake a travel transaction as a *traveler* (defined in *BPM5*, para 243 and in the 1993 *SNA*, paragraph 14.16). In the 1993 *SNA*, the main party undertaking a travel transaction is a “*non-resident* visiting an economy for business or personal purposes.” These non-residents comprise a wider group of transactors than travelers. The *BPM5* scope of transactors is augmented by including some specified groups other than travelers (e.g., border workers) in the travel item. If the wording of the 1993 *SNA* definition of tourism were adopted, it would not be necessary in the *BPM5* to specify the different types of individuals presently excluded from the definition of travelers but whose transactions are included under the travel item.
- Unlike the 1993 *SNA* definition that covers *all* types of goods and services, the *BPM5*, by referring to *primarily* goods and services, opens room to include other expenditures that may occur during travel (e.g., investment).
- On the other hand, because the 1993 *SNA* definition covers *all* types of goods and services, it opens room to including goods for resale (e.g., shuttle trade). However, the *BPM5* (para 250) contains an additional statement that narrows the scope of travel item to include only goods and services for *own use*.
- The 1993 *SNA* and *BPM5* definitions inconsistently describe the nature of the exchange between two parties. The *BPM5* refers to ‘acquisition’ while the 1993 *SNA* refers to ‘purchase’ of goods and services. Thus, the 1993 *SNA* is unclear whether or not to include goods and services acquired without quid pro quo.
- Unlike the 1993 *SNA* definition, which refers to transactions by *nonresidents visiting an economy*, the *BPM5* and *MSITS* explicitly state that transactions should take place *during visits*. It may be useful to clarify that the travel item does not include acquisitions undertaken in anticipation of a visit or after the visit.
- While in the *BPM5*, footnote 3, page 64 states that the term *travel* is synonymous with the term *tourism* used in the 1993 *SNA*, the two definitions are not entirely consistent, which causes many of the existing reconciliation problems.

Possible alternative treatments

The TSG proposed that travel should be defined as:

“Travel covers acquisition of goods and services of individuals when they are outside their country of residence”

An alternative could be the following:

“Travel covers all goods and services acquired for the own use from an economy by non-residents during their visit”.

The TSG proposed changing the title of the travel item to “Travel related expenditure (except international passenger carriage)”. However, there would be merits in retaining the existing simple and long-standing title.

The TSG proposed to:

- (i) Define tourism as a combination of travel and international passenger transportation items;
- (ii) Introduce a supplementary presentation on tourism in the BPM6 that would show data on tourism (as defined above) and presents the concept of tourism by combining the travel and passenger transportation items; and
- (iii) Include in the *BPM6* an appendix on tourism statistics that would present the concept of consumption related to tourism both in travel and passenger transportation items through a satellite or alternative presentation.

Questions/points for discussion

Would the Committee agree to:

- *Refer to a nonresident visiting an economy and not a traveler in the definition of travel in the BOP.*
- *Clarify the scope of transactions in the BOP travel item to include all (and exclusively) goods and services acquired for their own use by non-residents from an economy during a visit (i.e., during the time the individuals are outside their country of residence).*
- *Change the present title of the travel item to “Travel related expenditure (except international passenger carriage),” or would it prefer to retain the present title.*
- *Define tourism as a combination of travel and international passenger transportation items, in line with the TSA.*
- *Introduce a supplementary presentation on tourism in the BPM6 that shows data on tourism (as defined above) and presents the concept of tourism by combining the travel and passenger transportation items.*
- *Include in the BPM6 an appendix on tourism statistics that would present the concept of consumption related to tourism both in travel and passenger transportation items through a satellite or alternative presentation. An alternative would be to regard this appendix beyond the scope of the BPM?*

2. Net valuation of the activity of travel agencies and tour operators services

Current international standards for the treatment of the issue

BPM5, Chapter XII, Travel: Paragraph 242 states that goods and services acquired from a country during a visit are included in travel. This implies that services of travel agencies and tour operators that are residents in the country visited are indistinguishably included in the travel item. Paragraph 262 states that other trade-related services cover transactions of commission agents.

MSITS, Chapter III, Paragraph 3.124 states that other trade-related services cover transactions of commission agents.

ISIC Revision 4 draft structure includes a new treatment of travel agencies, reservation services, and related services. The services have been pulled together from various sections of ISIC Rev. 3.1. and will form a new two-digit grouping within the section for Administrative and Support service activities. The current detail in ISIC Rev. 4 for travel agencies and related services includes three industries: (i) Travel Agencies; (ii) Tour Operators; and (iii) Other Reservation Services.

Draft CPC, Version 2.0, Group 678 includes additional detail for the services provided by travel agencies, tour operators and tourist guides, and other reservation services, among which are: (i) Package tours; (ii) Reselling package tours; (iii) Convention support and tourism promotion services; and (iv) Visitor information services.

Concerns/shortcomings of the current treatment

The current treatment provides no solution for the following issues:

- How to record the service of a travel agency/tour operator when the provider of the travel service and the intermediary (i.e., travel agency/tour operator) are not residents of the same economy. For example, consider a tour operator from country A that packages a tour for the resident of country B, who undertakes tourism activity in country C. Currently, if such a travel agency/tour operator is working on commission, its services are recorded under other trade-related services (*BPM5*, Paragraph 262).
- There is no mention in the *BPM5* about travel agencies or tour operators working on margin.

Possible alternative treatments

The TSG suggested that an explicit reference and recommendation should be made about the net treatment of travel agencies and tour operator services.

There are several alternative treatments:

1. Adopt a similar treatment for travel agencies/tour operators working on margin as for those working on commission;
2. (i) Consider the services of the travel agencies/tour operators as an indistinguishable part of travel and include in the travel item the services of travel agencies/tour operators that are residents of the third country (this would be a deviation from the definition of the travel item that requires services to be acquired in the country visited), **OR**

(ii) Include in the other trade-related services item the services of travel agencies/tour operators that are residents of a third country (in this case the same type of product would be classified in the different BOP items, i.e., in travel and in other trade-related services);
3. Following the TSG recommendation and to ensure reconciliation with the international classifications, separately identify travel agencies /tour operators services within the travel item.

Questions/points for discussion

- *Would the Committee agree to treat similarly the services of travel agencies and tour operators working on margin and those working on commission?*
- *Would the Committee accept one of the two proposed alternative treatments of the service of travel agencies/ tour operators that are residents of the third country? If so, which one would be preferred?*
- *Would the Committee agree to separately identify travel agencies and tour operator services within the travel item?*

3. Treatment of military personnel and civil servants (including diplomats) employed abroad in the government enclaves

Current international standards for the treatment of the issue

BPM 5, Chapter XII, Travel: Paragraph 243 states that military personnel and civil servants (including diplomats) employed abroad in government enclaves (and accompanying dependents of these individuals) are currently excluded from the travel item and included in government services *n.i.e.* (unless they travel to a third country). Chapter XIII, Other services: Paragraph 266 states that government services *n.i.e.* is a residual category.

MSITS, Chapter III, Paragraphs 3.79 and 3.139 are consistent with the **BPM5**.

Concerns/shortcomings of the current treatment

The current treatment restricts the scope of the travel item by excluding transactions of a certain group of non-residents. It also hampers interpretation of the government services component n.i.e., as on the one hand it is labelled as a residual component, and on the other hand all transactions of this particular group are a priori bundled into it.

Possible alternative treatments

The TSG suggested treating the personal acquisition of goods and services of the abovementioned group of non-residents in the same way as of other non-residents visiting an economy and, consequently, encouraged recording these transactions under the travel item rather than under the government services, n.i.e.

Questions/points for discussion

- *Would the Committee accept the TSG proposal to include in the travel item the acquisition (in the country they are stationed) of goods and services by military personnel and civil servants (including diplomats) employed abroad in government enclaves and their dependents?*

4. Business/personal breakdown of travel item

Current international standards for the treatment of the issue

BPM 5, Chapter XII, Travel: Paragraph 245 provides for the breakdown of the travel item into business and personal travel.

MSITS, Chapter III, Paragraphs 3.80-3.84 are consistent with the *BPM5*.

1993 SNA, Paragraph 14.111 states that expenditures on tourism, and also passenger services, must be subdivided to distinguish those expenditures made by non-residents traveling on business, which are paid for, or reimbursed by, their employers, from those expenditures made by households. Expenditures by business travelers are said to be part of the intermediate consumption of producers, whereas expenditures by other travelers on personal trips are said to be part of household final consumption expenditures.

Concerns/shortcomings of the current treatment

A reason for splitting the BOP travel item into business travel and personal travel is said to be to identify separately expenditures by nonresidents visiting the economy for business purposes (considered to be part of the intermediate consumption of producers), and those travel expenditures that are part of household final consumption. However, the current split may not necessarily serve this purpose.

Nonresidents visiting an economy for business purposes come to undertake a productive activity. They can be classified into three groups:

1. Non-resident employees undertaking a productive activity for an enterprise that is not resident in the economy in which it takes place. Their productive activity does not contribute to the GDP of the country visited, but to the GDP of the home country.
2. Non-resident employees undertaking a productive activity directly for an enterprise that is resident in the economy in which it takes place (offering labor and receiving compensation of employees; the productive activity contributes to the GDP of the country in which it takes place).
3. Self-employed individuals undertaking a productive activity under GATS Mode 4 of supply (offering product, the productive activity contributes to the GDP of the home country).²

As all three groups are nonresidents of the country visited, their personal acquisition of goods and services is included in the BOP business travel item, irrespective of the economy to which their production activity is attributed or which country provided remuneration for the productive activity undertaken (*BPM5*, paragraph 247).

Strictly speaking, expenditures of the first group can be seen as consisting of two parts: (1) those expenditures that constitute intermediate consumption (transportation and hotel services provided while the employee is traveling on business (*1993 SNA*, para 6.155)) of the home country and (2) those that constitute final consumption. If such a split were made in the balance of payments, it would foster reconciliation with the *SNA*.

For the second group of employees, which includes border workers, the *BPM5* suggests that their personal expenditures be recorded under business travel (*BPM5*, paragraph 247). If their expenditures were to fall into intermediate consumption, e.g., accommodation provided by the employer while the employee is traveling, this would be attributed to the intermediate consumption of the country visited. In this case, for the country that acquired travel services, the travel import component will include its own intermediate consumption (business expenditures of the first group) and intermediate consumption of the country visited (business expenditures of the second group).

The third group, in principle, resembles the first one, but in practice their expenditures may be more difficult (if at all possible) to split in order to reconcile with intermediate and final consumption.

²GDP is not intended to measure the production taking place within the geographical boundary of the economic territory. Some of the production of a resident producer may take place abroad. For example, a resident producer may have teams of employees working abroad temporarily on the installation, repair, or servicing of equipment. This output is an export of a resident producer and the productive activity does not contribute to the GDP of the country in which it takes places (*1993 SNA* 6.239).

While for the first group it may be possible to ignore the expenditures that constitute final consumption, for the second and third groups, the share of non-business related expenditures may be substantial. These non-business related expenditures are at present indistinguishably included in the business travel item, notwithstanding that they would not be a part of intermediate consumption.

Possible alternative treatments

The TSG proposed that the present split according to the purpose of the visit (business/personal) responds neither to any request from the national accounts, nor from tourism statistics, and should be reconsidered.

Questions/points for discussion

Which one of the following options would the Committee accept:

(i) *Following the TSG proposal, eliminate the current breakdown of the travel item according to the purpose of the visit (business/personal).*

(ii) *Retain the current BOP split of the travel item (business/personal).*

(iii) *If (ii) is accepted, add additional detail to the current BOP business travel item, notably a split of business travel into: (a) employed by home economy; (b) employed by host economy; and (c) self-employed in the host economy.*

Supplementary information

1. The Annotated Outline on the Revision to *BPM5*, Chapter 9, Paragraphs 9.39–9.42
2. Clarifying the Place of Tourism in the Balance of Payments and Related Macroeconomic Frameworks, World Tourism Organization, Department of Statistics and Economic Measurement of Tourism, January 2005. Discussion paper presented to the Task Force on International Trade in Services Statistics for its meeting of February 2–3, 2005.
<http://unstats.un.org/unsd/tradeserv/TFSITS%2002-05-Paris/tfsitc0502-2.htm>
3. Proposals for CPC revision. World Tourism Organization (WTO). Meeting of the Technical Subgroup of the Expert Group on International Economic and Social Classifications New York, October 18–21, 2004, TSG/9.
<http://unstats.un.org/unsd/class/intercop/techsubgroup/04-10/tsg0410-2.htm>
4. Additional CPC product detail: travel arrangement and reservation services John Murphy, Census Bureau, USA, Meeting of the Technical Subgroup of the Expert Group on International Economic and Social Classifications New York, October 18–21, 2004, TSG/16.
<http://unstats.un.org/unsd/class/intercop/techsubgroup/04-10/tsg0410-2.htm>