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

World Tourism Organization

Abstract: The TSA:RMF, satellite both to National Accounts and to Balance of Payments, which has been developed as a joint project between the OECD, Eurostat, the WTO and the UNSD and approved in its 2000 session by the United Nations Statistical Commission, has strong links with the balance of goods and services concerning tourism characteristic products, and particularly so on its external balance, because of the importance of international tourism in a significant number of economies. As a consequence, WTO understands that there is a need to make clear and if possible minimize the differences in recording practices which seem presently to exist among the ways countries apply the Balance of Payments Manual 5 recommendations, the 1993 SNA recommendations and the TSA recommendations, regarding some overlapping areas concerning mainly the treatment of products and productive activities related specifically to travel agencies and tour operators. This is particularly important as the time comes to give precise guidelines to countries, and if international and inter-temporal comparability is sought, as the intensity of use of package tours varies from country to country as well as for the same country over time.

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1 Note transmitted to the Inter-secretariat Working Group on National Accounts – ISWNGA – in May 2004. Drafted by Marion Libreros (WTO consultant) and has benefited from comments received from Margaret Fitzgibbon (IMF), Antonio Massieu (WTO), Shaila Nijhowne (WTO consultant) and José Quevedo (WTO consultant).
FOREWORD

The World Tourism Organisation had already made a consultation with the ISWGNA in October 2002 concerning the treatment of tourism business expenses when they had to do with international tourism. This consultation referred to the treatment, which should be given for those expenditures of visitors paid by businesses, which were to be considered following the principles of the 1993 SNA (and thus also in Balance of Payments Manual 5), as intermediate consumption of domestic producers. In that case, the WTO was expecting from the Working Group to receive some precise guidelines, in order for national compilers to follow a treatment which would have the full support of the national accounting standards, as for the time being the 1993 SNA was rather silent or somewhat ambiguous on the issue: it seemed implicitly to consider that all expenditure by resident individuals abroad or by non resident individuals within the economy of reference were necessarily part of final consumption expenditure of households as could be inferred from the analysis of the numerical example proposed in table 15.1 of the 1993 SNA.

The present document has a somewhat different objective. For the purpose of the description of tourism, the Tourism Satellite Account: Recommended Methological Framework (TSA:RMF) which conceptual framework has been adopted as an international recommendation, looks specifically at the products and activities related to travel agencies and tour operators, and proposes a treatment which suits the needs of tourism observation and analysis. The WTO believes that in general, this recommendation should also be applied in the SNA central system.

As a consequence, while stating the treatment which follows strictly the Balance of Payments principle, WTO intends to make two complementary suggestions which could be included or mentioned as conceptual clarification in the revised version of the 1993 SNA regarding, first of all the “unpacking of package tours”, and second, the analysis of the transactions developed by travel agency and tour operators regarding their ticketing and travel advisory activity and their treatment in accordance with the invariance principle.

GENERAL INTRODUCTION

The TSA:RMF, satellite both to National Accounts and to Balance of Payments, which has been developed as a joint project between the OECD, Eurostat, the WTO and the UNSD and approved in its 2000 session by the United Nations Statistical Commission, has strong links with the balance of goods and services concerning tourism characteristic products, and particularly so on its external balance, because of the importance of international tourism in a significant number of economies. As a consequence, WTO understands that there is a need to make clear and if possible minimize the differences in recording practices which seem presently to exist among the ways countries apply the Balance of Payments Manual 5 recommendations, the

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2 Although 1995 ESA made some mention of this situation.
Clarifying the Treatment of Travel Agency, Tour Operator, Travel Agency Services and Package Tours in SNA
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1993 SNA recommendations and the TSA recommendations, regarding some overlapping areas concerning mainly the treatment of products and productive activities related specifically to travel agencies and tour operators. This is particularly important as the time comes to give precise guidelines to countries, and if international and inter-temporal comparability is sought, as the intensity of use of package tours varies from country to country as well as for the same country over time.

These differences have already been mentioned in TSA:RMF about the relationship between the tourism satellite account and the central framework of the 1993 System of National Accounts, a quote of which can be found in Annex 1.

The existing uneasiness seems to stem from a difficulty for some countries in treating travel agency services and package tours, which have particular characteristics, in consistency with the different rules proper to each system, due to the lack of specific precise recommendations regarding these issues. An additional difficulty comes from the fact that they are usually not homogeneously treated in the specific micro-accounting practices and the perception of their economic activity and the transactions in which they are involved vary according to the parties.

In order to clarify the debate, we will first of all give definitions, using mainly references in International Classifications such as ISIC and CPC in their last versions, and the TSA. Then we will describe what are the specific difficulties attached to these products and activities. Then references will be made first to the Balance of Payments Manual 5, then to the 1993 SNA in order to see whether some approach seem to emerge as a recommendation. Finally the solution adopted in the TSA, and which we also recommend for National Accounting will be presented, as it seems better fit for economic analysis. It supposes the application of the invariance principle and re-routing techniques, which have been admitted as a usual practice in national accounting.

PACKAGE TOURS

Description

A package tour consists apparently in a completely new, if synthetic, “tourism product” provided by a tour-operator which elaborates it and sells it directly or through travel agencies, in which travellers receive a combination of products associated to a trip, which are made of more than one of the following tourism services: transport services, accommodation services, food services, sight seeing services, entertainment, etc and other goods and services at will. This package might have varying characteristics: it might have been elaborated previously as a product sold as an identified unit, or be made according to the specific requests of a traveller, through a combination of elements which have been previously negotiated and pre-selected by the packager, and in which purchase the packager puts usually himself at risk.

Package tours might refer to travel to one or more places within the economic territory of the country of residence of the packager selling the package, and also travel to destinations in one or more places or countries outside this economic territory, or a combination of both circumstances.
These packages might include services provided by producers considered as resident in the economic territory of the country of residence of the purchaser of the package and also services provided by producers considered as non residents of this economic territory. Usually, if the package refers to a domestic travel, it will be assumed that all goods and services included in the package have been provided by resident producers (this might not always be true because of open skies in increasingly globalized economies).

A packager might sell its product to residents of the economy where it operates, but also to non-residents, directly, through a travel agency, which can be resident or non-resident of the economy of reference, or through associated packagers or travel agencies operating in other countries.

References to package tours in TSA and related macroeconomic frameworks

*ISIC Rev 3.1* in its global introduction to division 63 *supporting and auxiliary transport activities; activities of travel agencies*, notes that it also includes “activities assisting passengers, such as travel agencies”, thus recognizing travel agency services as *services provided to the travellers*. Their precise activity is described as including: (p.6304) “furnishing of travel information, advice and planning; arranging of made-to-measure tours, accommodation and transportation for travellers and tourists; sale of packaged tours, etc.; furnishing of tickets.”

The *Manual on Statistics on International Trade in Services*, within its equivalence table between EBOPS and GNS/W/120 using CPC v1.0 as a basis of comparison classifies travel agency services (CPC code 67811) and tour operator services (CPC code 67812) in EBOPS category 284 “Other business services”, but with the following footnote: “Services related to travel and tourism may also be used by travellers, and thus also included as part of EBOPS component 236 *travel*, which is not described in terms of the CPC. For these particular services, it is possible but unlikely to be common, that such services might be provided by residents of one economy to residents of another economy who are not travellers”. No provision seems to be made for the purchase of tourism characteristic services or others by packagers in order for them to set up their package tours.

In the *IMF Balance of Payments Compilation Guide*, package tours are mentioned in Chapter VII, dealing with Collections (of data) from persons and households. On one hand, package tours are considered as a specific type of payments used for travel expenditure (par. 318). On the other, it is noted that the value of package tours frequently covers transportation expenditure as well as expenditure on other types of items: as Balance of Payments requires to separate

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4 *CPC Rev 1.1* uses two specific subclasses to identify travel agency services and tour operator services. 

**Travel agency services**  
They are described in CPC Rev 1.1 (subclass 67811) as including “sales of travel tickets, lodging and package tours on a fee or contract basis”.

**Tour operator services**  
They are described in CPC Rev 1.1 (subclass 67812) as including “services of organizing and arranging package tours (all-inclusive tours).
The Eurostat 1996 “travel task force report” titled “Measuring the Travel Item of the Balance of Payments of EU Member States – Proposals for Stage III of EMU” reviews the case of what are called tourism intermediaries i.e travel agencies, tour operators and other firms providing prepaid or package tours. It is stated (p.56) that “a package tour includes a basket of goods/services..”, some of which “..have to be excluded from Travel. They are the following: a) the international transportation fares, to be included in the Transport passenger item of the BoP; b) the fees charged by the TI (tourism intermediaries) to cover its administrative costs and to realise a profit, which is a transaction between residents and is therefore excluded from the BoP.” A package is thus viewed as a basket of goods/services, (accommodation, food services, sight seeing, etc…) including transport and the services provided by the packager, and not as an entity on its own.

Package tours and the activity of packagers according to the Balance of Payments Manual 5

The Balance of Payments Manual 5, as we have seen, does not mention specifically how travel agencies, the services they provide, packagers and their specific output should be treated.

What guides the principle of recording in Balance of Payments is exclusively the criterion of change of ownership, and it is according to this change of ownership that transactions are analysed and recorded.

In the case of package tours, this principle, and the fact that usually, the packager puts itself at risk as it acquires, on its own account from their providers, services of transportation, accommodation, food serving services, etc., which it then arranges for its sale to travellers, leads Balance of Payments compilation to consider packager as those which acquire the services, which are then resold to travellers as a different entity: a package. These purchases are intermediate consumption of services (transportation, accommodation, food services, sight seeing, entertainment services,) by packagers in order to produce a different output: the package. These purchases are not part of the “travel” item of the Balance of Payments, which only includes purchases by individuals. In terms of the Manual on International Trade in services, these purchases by packagers are not part of the mode 2, consumption abroad, as the packager does not displace itself to the country of destination of the package (in case of an international package). The travellers are those which, in fact, consume them, but as a different product, the output of a packager (usually but not always of their country of origin, so that it does not enter as such in the Balance of Payments).

Within this method of recording, regarding the case of an international package, the packager is who makes the import, (which affects the Balance of Payments) and sells the package to a resident of its own economy so that this sale does not affect the Balance of Payments, as a transaction between two residents of the same
economy. The only difficulty is thus to include these services purchased in another economy within the existing classification of international trade in services, as, for the time being, accommodation services, food serving services, etc… have not being specifically enumerated as services which can be the object of a transaction between a resident and a non-resident outside the framework of the “travel” item.

The following table illustrates the treatment recommended for the Balance of Payments in the different situations:

<table>
<thead>
<tr>
<th>Purchase by a Packager resident in A of services provided in A for a stay in B (ex. international transport using carrier resident in A)</th>
<th>Balance of Payment country A</th>
<th>Balance of Payment country B</th>
</tr>
</thead>
<tbody>
<tr>
<td>No recording (in domestic accounts of country A)</td>
<td>No recording</td>
<td></td>
</tr>
</tbody>
</table>

| Purchase by a Packager resident in B of services provided in B for a stay in B (ex. accommodation in B) | Import of services by the packager (all tourism services including transport) | Export of services (all tourism services including transport) |
| Purchase by a resident in A of a package produced a packager resident in A (transaction between two residents in A) | No recording (in domestic accounts of country A) | No recording |
| Purchase by a resident in A of a package to travel to B by a packager resident in B | Part of the travel item (debit) | Part of the travel item (credit) |

It is not clear though that in the practice of compilation of the “travel” item by countries, mostly when they are based on a Bank Reporting System, the correcting item using the counterpart of transactions realized by travel agencies and packagers (tourism intermediaries) is not including these services into the “travel” item. This is in particular the case in Europe as reported in the Eurostat's Travel Task Force Report\(^5\).

**Package tours and the activity of packagers according to the 1993 System of National Accounts**

Because of the link existing between the TSA and the 1993 SNA, it is important to find out what is the treatment that the 1993 SNA recommends for package tours and the activity of packagers.

The issue at stake is the following: Should a package be considered as a product, the output of the activity of packager, which nature would be different from its components, or should a package be considered as nothing more than the sum of its components, a marketing device, and the activity of a packager a “marketing-type” activity?

In the first case, the activity of the packager would be viewed as that of assembling the components of a package, in order to create a totally new product, in the same way as a carmaker assembles the different parts of a vehicle to “produce” an output, which is considered as different from the sum of its components and provides a different satisfaction and service to the consumer than the sum of its parts. In that case, the different services, and possibly also goods, put together by the packager in order to make up the “package” would be considered as intermediate consumption of the activity of the packager, which output would consist of packages, in the same way as the output of a carmaker are cars, and its intermediate consumption the different parts which have been assembled. We would consider this case – the identification of a package as an aggregated product - as the gross valuation of package tours.

In the second case, the package would be viewed as nothing more than its components: the activity of a packager would then only be considered as that of a wholesale trader, developing a similar activity as that of a retail trader preparing Christmas baskets sold as such to their customers. Making up packages would then be considered only as a marketing strategy to sell the different components, statement that cannot be validly enounced when speaking about a car. Buying a car is a totally different activity than buying car parts: car parts are only purchased by individuals or even garages and shops in order to repair a car; tourism services can be purchased by themselves, without the need to be associated to other tourism services to constitute a “package tour”. We would consider this case as the net valuation of package tours.

To treat package tours in the same way as they are treated in Balance of Payments Manual 5 (case one) would lead to some disturbing consequences, when trying to use the data provided by the accounts for analytical purposes, in particular when comparing the structure of expenditure, whether a visitor uses a package or does not use one. It would be impossible to say something about the relative importance of the different tourism services really used by visitors during their trip such as accommodation, transportation, food services etc., as they would not even appear separately. A traveller to a country could well be represented as having no consumption at all in the country visited, because this consumption is that of the packager and is not included in the item representing the consumption of visitors: the amount of the item would be hardly meaningful, because it would be mostly determined by the form of organization of the trips: small amount, if inbound trips are mostly on package tours (case of many Caribbean island countries), increasing (relative) amount if packages are less used.

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6 See for instance in ISIC Rev 3.1 the definition of “…sale without transformation which is considered to include the usual operations (or manipulations) associated with trade, e.g. sorting, grading and assembling of goods, mixing (blending) of goods,…, packing, breaking bulk and re-packing for distribution, etc….” (see description of activity G. Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods).

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Unpacking of package tours: the 1993 System of National Accounts and TSA recommendations

Applying national accounting principles, a package tour should be viewed as the sum of:

- the tourism services provided to the traveller (mainly transportation, accommodation, food serving services, sightseeing, etc…); their value would be equal to the amount paid by the packager;

- the tour operator services, that is the arranging of made-to-measure tours, that is of putting together the tourism services provided; this service is provided on a fee or contract basis; this value would be estimated as the difference between the price of the package and the values of the different components, including the fee recognized to the travel agency that sold the package;

- the travel agency services in the sale of the package tours; this service is provided on a fee or contract basis; its value would be estimated by the fee recognized by the packager.

If the package is not viewed as a product on its own, then each of its components has to be viewed as purchased individually by the traveller: it is what is called the “unbundling” or “unpacking” of the package.

This means that the different services purchased by the packagers to be included in the package should be assigned (using a rerouting procedure) to the traveller as consumption (tourism consumption or other type of consumption), and not considered as an intermediate consumption of a packager, providing a different end-product.

Statistically, this process – explicitly supported in TSA:RMF and described in Annex 2- is particularly difficult for various reasons:

- there is a great variety of package tours in terms of the tourism services that are included. This variety is increasing, and the forms are permanently adapting to new market situations;

- for package tours in order to travel outside the country of residence of the traveller, they might include services provided by units residents of the country of reference, of the country (ies) visited, or even of (a) third country (ies); this creates specific impacts on the different balances of payments of the countries involved, which should always be interpreted, taking into consideration the country of residence of the traveller and the country of residence of the end provider of the service included in the package;

- the value of the different components of the package are usually unknown by the traveller, but one thing is sure: their value might differ strongly from similar services purchased separately by an individual traveller, because packager might purchase the services “in bulk”, or have specific arrangements with providers before putting them together into the packages;
• packagers usually work simultaneously on a great number of packages concerning a great number of different destinations. They are very reluctant to provide specific information required by the compilation by destination, or their accounting methodology does not necessarily give access to that type of information because they might not be managing separately the expenditure-income for each package.

Annex 3 presents in detail the effects on the values of domestic tourism consumption, inbound tourism consumption and outbound tourism consumption of the “unbundling” of package tours. Corresponding effects can be easily deducted for the corresponding items of national accounts.

Comparative presentation of the different treatments in TSA and related macroeconomic frameworks

<table>
<thead>
<tr>
<th>Characteristics of the visitor</th>
<th>Residence of the tour operator</th>
<th>Treatment according to BoP Manual 5 (gross valuation)</th>
<th>Treatment according to 1993 SNA and TSA (net valuation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident visitor which destination is outside the economic territory of the country of reference</td>
<td>The country of reference</td>
<td>The package, as an aggregated product, is part of Domestic Output; The purchases of non domestically produced components are imports but not part of “travel”</td>
<td>The domestically produced components, including the services of the tour operator and of the travel agency which sold the package are part of Domestic Tourism Consumption; The other non domestically produced components are part of Outbound Tourism Consumption (direct consumption abroad or transport);</td>
</tr>
<tr>
<td>Resident visitor which destination is outside the economic territory of the country of reference</td>
<td>Other than the country of reference (the country visited)</td>
<td>The package, as an aggregated product, is part of the output of the country visited; The package as a whole is part of “travel” (debit)</td>
<td>The domestically produced components, including the services of the travel agency which sold the package are part of Domestic Output; The other non domestically produced components, including the service of the tour operator are part of Outbound Tourism Consumption (direct consumption abroad and transport);</td>
</tr>
</tbody>
</table>
### Characteristics of the visitor

<table>
<thead>
<tr>
<th>Residence of the tour operator</th>
<th>Treatment according to BoP Manual 5 (gross valuation)</th>
<th>Treatment according to 1993 SNA and TSA (net valuation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non resident visitor travelling within the economic territory of the country of reference</td>
<td>The package, as an aggregated product, is part of <strong>domestic output</strong>; The package as a whole is part of “travel” (credit)</td>
<td>The domestically produced components, including the services of the tour operator are part of <strong>Inbound Tourism Consumption (direct consumption of non-residents and transport)</strong>; The other non-domestically produced components, including the services of the travel agency which sold the package, are excluded from the measurement concerning the country of reference;</td>
</tr>
<tr>
<td>Non resident visitor travelling within the economic territory of the country of reference</td>
<td>The package, as an aggregated product, is excluded from the measurement concerning the country of reference; it is an output of the country of residence of the tour operator; the domestically produced components are <strong>exports of the country visited</strong> consumed by the tour operator</td>
<td>The domestically produced components, are part of <strong>Inbound Tourism Consumption (direct consumption of non-residents and transport)</strong>; The other non domestically produced components, including the service of the tour operator and the services of the travel agency which sold the package are excluded from the measurement concerning the country of reference;</td>
</tr>
</tbody>
</table>

### WTO suggestion

WTO would suggest a conceptual clarification in the revised version of 1993 SNA by rewording the rearrangement of transactions (1993 SNA par. 3.24 to 3.33) in order to mention this specific case of package tours (or that of some other similar case of packaging product together), which would need to be “un-packed” and the activity of packagers would then be measured only through their “trade” margin, and considered to be provided on a fee or contract basis.

### TRAVEL AGENCIES

There are possibly three procedures for the services provided by travel agencies to be remunerated (procedures which might also in some cases be combined):

- **Through a fee** collected directly from the travellers by the travel agency through a specific invoice made to them and additional to the payment of the tourism service which has been intermediated: airline ticket, hotel stay, others;

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7 See Annex 2 for a more complete description
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

- **Gross trade margins** representing retail trade services when travel agents remunerate themselves implicitly through a retail trade operation (buying from the producers of the services (for instance airlines) or wholesale traders and selling back the product to the traveller for a higher price, that is including their margin);

- **Commissions** (lump-sum or proportional value) paid by the providers of tourism services when travel agencies operate as their intermediaries, similar in operation to retail trade services on a fee or contract basis.

In all three cases, the cost of the intervention of the travel agency is part of the global cost of transportation for the traveller, either specifically invoiced (case 1), or included implicitly within the global value of the service purchased invoiced by the travel agency.

Except for the first case, the service provided by travel agencies is not “purchased” as such by travellers, although they are those who benefit from the services, in terms of travel information, advice and planning services, and of the issuance of personal ticket, as observed by ISIC.

**Balance of Payment Manual 5 treatment**

The theoretical treatment following the Balance of Payment Manual 5 sticks again in this case to the flows of payments: in the first case, the payment by travellers to the travel agency is viewed as the purchase of a service, and has no effect on the balances of Payments if both transactors are residents in the same economy; is part of the “travel” item is such is not the case. In the second case, the system again would record both transactions: the purchase by the travel agency of (f.i) the ticket to travel, and then the sale to the traveller. These transactions would be recorded in the balances of payments if the transactors involved were not residents of the same economy. In the third case finally, tourism providers would be selling directly their services to travellers, and would be purchasing travel agency services from travel agency.

**The available information**

The 1993 SNA does not seem to provide major indication on the treatment to be given to the services provided by travel agencies. Nevertheless, par. 3.31 can be quoted as a general recommendation, which states “When a unit carries out a transaction on behalf of another unit, the transaction is recorded exclusively in the accounts of the principal. Some service output may be recognized with the intermediary…..”.

In the case of travel agencies, who provides the service and who is the principal? Who provides the service is the travel agency. But who is the principal? The traveller, or the producing activity using the travel agency in order to market its products?
ISIC rev 3.1, as it recognizes travel agencies as being part of activities assisting passengers orients towards considering travel agency services as provided to passengers, and we will see that this view has its logic.

**What are the practices of the transactors?**

It might be informing to consider the practices followed by the different transactors in order to understand what they reflect, and to decide whether they should be followed and how.

**The travel agencies**

a) *Case of the fee invoiced separately to the travellers:* these will usually be treated as they are: sales of services to customers. This is consistent with the 1993 SNA view of a service provided on a fee or contract basis: the travel agency is purchasing an airline ticket (for instance) on behalf of a traveller, and is remunerated by the latter for the service provided.

b) *Case of the trade margin:* two possibilities for the travel agency: to record only the trade margin as the value of the service provided to the traveller: this is a net procedure; or to consider both the total sales to customers (total sales) and the purchases of seats as purchase for resale (not always identifiable, and treated as intermediate consumption…): the gross valuation. In the case where only the margin is considered, we are within a view consistent with the global orientations of the 1993 SNA. The gross method of recording violates this principle as the travel agency does not operate a transformation different from what, in the case of a good, is considered as a trade operation. Nevertheless, some countries accept a gross recording in their business accounting practices, and obtain an information following this principle in their statistical data.

c) In the *case of commissions paid to the travel agencies by the airlines* (for instance), the two possibilities previously described might also be used by the travel agency in its financial statements: a gross valuation, including as sales the total value of the ticket sold by their intermediary, and as cost (intermediate consumption), the value transferred to the carrier, and a net valuation, where only the commission is considered. The gross recording seems to violate the 1993 SNA principles for recording trade activities, but trade is only defined for goods, not for services. The net recording considers a commission received from the carrier, which would be considered as purchasing a service from the travel agencies.

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8 These are theoretical possibilities: countries might impose to travel agencies the application of any one of those, or leave them the choice.
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Balance of Payments and TSA and their Mutual Relationship

The carriers (or more generally, the providers of the tourism services that is marketed)

Looking now at the carriers (or tourism providers), in case b) they will record as an income (sale of seats) the value of those sold to the travel agents. Nothing denotes the intervention of an intermediary between the carrier and the traveller. In case c), they will usually record as sales of tickets, the total value of the ticket sold, and as cost (intermediate consumption) the fee or commission recognized to the travel agency, the value of which is strictly equivalent to the value of the ticket sold minus the value transferred by the travel agent to the airline or provider).

In case b), the intermediation of the travel agent between the carrier and the traveller is not apparent. In case c), the recording of the fee seems apparently consistent with the global orientations of the 1993 SNA.

The traveller

Regarding the traveller, in case a), he/she should be recording separately the value of the ticket and the fee as the latter is invoiced separately. In the other cases, the traveller only knows the global value, which he/she pays which corresponds to the sum of the services of the carrier provided to him/her and of those of the travel agent.

Consequences for the treatment of services provided

We find out, that depending on the procedure used to invoice and pay the service (direct invoice to traveller, trade margin, or commission by carrier) and according to the way this payment is recorded in the accounting system of the transactors, we might have a different perception of the services provided by the various transactors involved: the producer of the service, the travel agent and the traveller. Usually, data (if they exist) will be mutually inconsistent in their principles of recording.

If we apply the invariance principle which recommends that the treatment of any transaction to be adopted in National Accounting should be independent of the actual mechanism through which payments for services are finally collected, and if we recall that ISIC considers that the services of travel agencies is a service to travellers (position that the TSA endorses also totally and thus classifies travel agencies as tourism characteristic activities), then it is necessary to device a unique procedure in order to treat these services homogeneously irrespective of the procedure actually used to charge for the service provided and the principles of recording of the transactors. For this doing, re-routings will need to be used.

The TSA recommendation

Within a more general perspective and analysing globally all the activities related with tourism, travel agency play a decisive role as promoter and sales agent of tourism products in the intermediation between providers of tourism services and

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purchasers: Balance of Payments compilers use the term “tourist intermediaries” to underline this characteristic. Within the perspective of a TSA, travel agencies serve the visitors, are central to the analysis of tourism, and have to be considered as characteristic of tourism. Visitors should be described as purchasing their services, irrespective of the procedure through which payments for these services are effectively made.

Nevertheless, if we follow the appearance of the flows of payments, we find that in most of the cases, the travel agent “sell” their output, not to travellers, but to carriers, hotels, etc. that is to providers of tourism services and not to travellers. Obviously, there is a service provided to them, that of ticket issuance, and that of orienting the purchasers, but this function is proper to any marketing function, and in this regard, travel agencies have a typical trading function, that SNA would possibly analyse as a trade service if trade in services were to be accepted. If this type of analysis is to be accepted, then the margin, as is the case for goods, would be paid by the ultimate purchaser of the service, not by the provider of the service, and would come in addition to a “producer” price, received by the provider of the service. (for instance, the price of the airline ticket less the commission or fee recognized to the travel agency).

But there is no doubt that a typical service is provided to the traveller, concerning the information given, the arrangement of travel including more than the ticket itself, reservations and ticketing are provided, whether or not there is an explicit charge for it. And in most of the cases, there is actually a payment for it, but which is not made directly by the traveller, but indirectly, through the fee recognized by the carrier, hotel, etc…

It is possible to transform explicitly the flows as reported by the transactors to the format as they should be analysed in terms of tourism analysis using the rerouting procedure, which has been recognized in the 1993 SNA as a proper procedure to transform apparent transactions to a recording more homogeneous and adequate to economic analysis.

The TSA original proposal is then to breakdown the value of the ticket (or other tourism service…) paid by travellers through travel agencies in two parts (obviously, the case when a special fee is already paid by the traveller need not be corrected): the part corresponding to the purchase of the services of the travel agent, and the part corresponding to the purchase of the services of air transportation, (or other, such as hotels…) and consider that both of them are purchased by the traveller. This procedure affects the gross value of output of the carrier, but not its value added, as an identical value is deducted both from its output and from its intermediate consumption.

As a consequence, the values of the sales of the airlines will be presented net of the fees recognized by them to travel agencies, which will receive this value directly from travellers and will be considered as the value of the services provided (rerouting). These can be estimated using the information coming from the carriers themselves. (these data should be broken down between fees paid to resident travel agencies and those paid to non residents).
The case b) of a remuneration of travel agencies through a trade margin should also be considered as the value of services. Their value should be estimated using data coming from the accounts of travel agencies. A difficulty in that case might arise if travel agencies have also used a gross valuation in case c)....

A specific discussion on this issue should be developed with the Association of travel agencies in order to see with them as this difficulty can be solved.

**WTO suggestion**

The TSA.RMF already details the incidence of this recommended treatment on the allocation of the value of an airline ticket or any other tourism service purchased through a travel agency, according to the residence of the purchaser, of the travel agency and of the provider of the service (see Annex 3).

WTO would suggest, in order to provide support towards harmonization, the revised 1993 SNA could present the example of the treatment of travel agency services when discussing the case of re-routing, and support with this example the importance of the application of the invariance principle: the need to identify precisely the beneficiaries of transactions and treat homogeneously the different procedures used by transactors to charge for an equivalent service.
ANNEX 1

RELATIONSHIP BETWEEN THE TOURISM SATELLITE ACCOUNT AND THE CENTRAL FRAMEWORK OF THE SYSTEM OF NATIONAL ACCOUNT, 1993

"...in the case of the services of travel agencies and of tour operators, some major differences are generated. While the 1993 SNA does not consider specifically the case of such services and gives no specific recommendation on how to represent their activity, the framework of the TSA specifies that a net system of recording should be used, whereby the service provided by these agents and the services they “intermediate” or package should be separately considered as components of tourism consumption. The system considers that the consumer who purchases a travel service through these intermediate purchases simultaneously the travel services of the intermediary himself, the value of which is restricted to an equivalent to a trade margin.

This treatment may have important consequence when the residence of the customer, the intermediary and the provider of the service are different because important amounts, such as total production of products, total imports and total exports of the system may differ from those appearing in the 1993 SNA presentation.

Nevertheless, this treatment does not modify either total value added or the net balance between exports and imports, which are ultimately the only values that have an aggregate significance."
ANNEX 2

THE SUPPLY PERSPECTIVE: CONCEPTS AND DEFINITIONS*

B. Tourism-specific activities

B.2 Special issues

B.2.3. Travel agencies

3.37. Visitors (or potential visitors), when planning and organizing their trip, often use the services of travel agencies. Their function consists mainly in selling the right to use a certain service, at a certain moment in time and within certain conditions. They do not substitute the service-providing unit, but play the role of providing information and access to the visitor and are the middleman in the purchase of certain services.

3.38. These agencies operate in some ways as “retailers” of these services, which are sold to the public. But their function is definitely different from that of a retailer of a good since it is still the producer of the service who finally serves the consumer. There is no substitution of relationships, only an efficient way for producers to sell their product to the public.

3.39. In most of the cases, the value of travel agency services is not invoiced explicitly or separately to the user of the service (the visitor) although such direct invoicing might exist. In some cases, travel agencies buy tickets at a discounted price from airlines (or discounters) and sell them to their customers at a marked-up price, earning income from the difference between the price they pay and the price they receive. In other cases, the visitor pays for airline transport or some other tourism product at a set price established by the producer of the service. The travel agency earns as income a commission on the sale established by the provider of the service: the service of the travel agency is thus purchased by the provider of the service, which the travel agency sells to the visitor.

3.40. As a consequence, gross incomes of travel agencies are of three kinds:

- Those collected directly from the visitors through a specific invoice to the visitors;
- Gross commercial margins representing retail trade services when travel agents remunerate themselves implicitly through a retail trade operation (buying from the producers of the services (for instance airlines) or wholesale traders and selling back the product to the traveller);

* Extracted from TSA:RMF (Chapter 3)
Commissions paid by the providers of tourism services when they operate as their agents, similar in operation to retail trade services on a fee or contract basis.

3.41. In the TSA, travel agencies are seen in the first line of tourism characteristic activities, as it is mostly through these entities that persons planning to travel purchase the transport and accommodation services they require. The travel agency and the provider of the service sold through their intermediation are both directly involved in the provision of services to visitors, and both of them must be analysed in their service providing function to visitors.

3.42. As a consequence, these recommendations consider by convention and for homogenisation of procedures that, in all cases, travel agencies are tourism characteristic activities providing services to visitors and travel agency services as such are considered as part of visitor consumption.

3.43. Whatever the procedure through which a travel agency generates its income, the total value paid by visitors for a tourism service purchased through a travel agency will be split in two parts: one corresponding to the value of the travel agency service and the other corresponding to the net value of the tourism services purchased.

3.44. This type of treatment will usually require a transformation of the basic statistical information from travel agencies and from the activities, which use them as retailer, in order to generate a data set which conforms to this point of view.

3.45. This treatment has important consequences on the precise content of domestic tourism consumption, inbound tourism consumption and outbound tourism consumption. These will be described in detail when presenting the tables and aggregates in chapter IV.

**B.2.4 Tour operators**

3.46. Tour operators are businesses that combine two or more travel services (e.g., transport, accommodation, meals, entertainment, sightseeing) and sell them through travel agencies or directly to final consumers as a single product (called a package tour) for a global price. The components of a package tour might be pre-established, or can result from an “a la carte” procedure, where the visitor decides the combination of services he/she wishes to acquire.

3.47. Tour operators usually operate in their own name and on their own account. The operator initially acquires from the tourism producers different services, that are combined and offered as a single, complex product to customers either directly or through travel agencies. This product usually embodies the services of transport and one or more of accommodation, meals, sightseeing, entertainment, and other services visitors require, as well as the service of the tour operator himself. In most cases, the visitor is not aware of the distribution of the expenses among the components, and has no direct contact with the
providers of the services prior to the trip. Often, the tour operator puts himself at risk with the providers of the services included within the package tour, and must pay them penalty fees if the packages do not sell.

3.48. A package tour might be seen to comprise a completely new, if synthetic, tourism product. Its classification and treatment, within National Accounts and Balance of Payments, has traditionally posed difficulties, but a final conclusion has not been proposed in these systems. Is it to be considered as a product per se, independent from its components, which would be considered as inputs to the production of this new product? Or, on the contrary, is it to be considered a marketing procedure, used to sell its components?

3.49. For the purpose of the TSA, a package tour is not considered as a product on its own, because the buyers of these products would then no longer be purchasing the embodied tourism services. These would instead appear as intermediate consumption of the tour operators, and thus would lose their direct relationship with visitors. As a consequence, the tourism services commercialised this way would not be considered as acquired by visitors, and the share of tourism in their use would be undervalued. This might hamper the classification of the hammer the classification of the their main output would then no longer be considered tourism characteristic.

3.50. Consequently, the TSA requires all components of a package tour, including the value of the service of the tour operator himself, to be considered as directly purchased by the visitors. This entails a so-called “net” valuation of package tours.

3.51. Tour operators are considered to be a certain type of retailer of tourism services. A value for the service would be calculated, equal to the gross margin, as the difference between what the tour operator charges for the package tours sold and the costs to him of the components, including the commission recognized to travel agencies selling the package tours to the public. The effects of this way of considering package tours will be fully developed when presenting the tables and aggregates in chapter IV.
ANNEX 3

TABLES, ACCOUNTS AND AGGREGATES*

A. Tables and accounts

A.2. Net valuation

A.2.1. Net valuation of package tours

4.15. In the TSA, services provided by tour operators have to be valued in a net form: this requirement derives from the need for a consistent treatment between those tourism services acquired directly and those (of a same type) acquired through tour operators. No requirement is made for valuation in gross terms for the purposes of international comparisons, as it is not clear whether all countries would use such a valuation, particularly if their National Accounts do not require it.

4.16. This form of valuation has the following consequences on the measurement of visitor consumption:

(a) In the case of a resident visitor travelling within the economic territory of the country of reference and purchasing a package tour with this intention, the breakdown of this package tour has no consequence on the total value assigned to visitor consumption before or after the breakdown: it is broken down into all its components, which all are part of domestic tourism consumption. With the policy of open skies, transportation might be provided by a non resident, but as the transportation takes place between two locations within the economic territory of the country of reference, it still is part of domestic tourism consumption, even when provided by a non resident.

(b) In the case of a resident visitor intending to travel outside the economic territory of reference, who purchases a package produced by a resident tour operator directly or through a resident travel agency, in a gross system of valuation, this expenditure as a whole is part of domestic tourism consumption. Nevertheless, for a net valuation, two different situations have to be considered:

- Some services within the package are provided by resident producers: These expenses, along with the service of the tour operator and that of the travel agency which sold it are assigned to domestic tourism consumption, and are broken down into their product components;

* Extracted from TSA:RMF (Chapter 4)
• Some services within the package are provided by non-resident producers: These services are part of what has been defined as outbound tourism consumption.

(c) If a resident visitor intending to travel outside the economic territory of the country of reference purchases a package produced by a non-resident tour operator directly outside the country or through a resident travel agency, in a gross system of valuation, the value of the expenditure is considered as a whole as part of outbound tourism consumption. Nevertheless, in a net system of valuation, two different situations have again to be considered:

• Some services within the package are provided by resident producers: These expenses, along with the (eventual) service of the travel agency are assigned to domestic tourism consumption, and are broken down into their product components;

• Some services within the package are provided by non resident producers: Then these services, along with that of the tour operator are part of what has been defined as outbound tourism consumption.

(d) In the case of a non resident visitor, planning to travel to the country of reference, who purchases a package tour directly or through a travel agency before departure, in a gross system of valuation, two different situations might also occur, whether the tour operator is resident or non resident of the country of reference. After observing that the service proper to the travel agency itself is outside the scope of the TSA (a transaction between two non residents): if the tour operator is a non resident, then nothing is reported in the TSA; if the tour operator is a resident, then the total amount of its value is recorded as inbound tourism consumption. Within a net system of reporting, the analysis is somewhat more complex:

• The services (including eventually that of the tour operator) sold through the package provided by producers resident of the country of reference are to be considered within inbound tourism consumption;

• The services (including eventually that of the tour operator) sold through the package provided by producers non-resident of the country of reference are outside the scope of the TSA as they refer to services provided by non residents to a non resident.

4.17. As a consequence of these adjustments not only is the breakdown by products modified, but the global value of domestic tourism consumption, outbound tourism consumption and inbound tourism consumption are also modified because of the difference of residence between tour operators producing and selling package tours, and that of the tourism services which they (implicitly) retail. Figure IV.1. summarizes the findings.
Figure IV.1: Summary presentation of the aggregated effects of using a net valuation of package tours on Domestic tourism consumption, Outbound tourism consumption and Inbound tourism consumption

<table>
<thead>
<tr>
<th>Characteristics of the visitor</th>
<th>Residence of the tour operator</th>
<th>Classification in a gross valuation of package tours</th>
<th>Classification in a net valuation of package tours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident visitor travelling within the economic territory of the country of reference</td>
<td>The country of reference</td>
<td>The package, as an aggregated product, is part of Domestic Tourism Consumption;</td>
<td>All the components of the package, including the service of the tour operator, are part of Domestic Tourism Consumption;</td>
</tr>
<tr>
<td>Resident visitor which destination is outside the economic territory of the country of reference</td>
<td>The country of reference</td>
<td>The package, as an aggregated product, is part of Domestic Tourism Consumption;</td>
<td>The domestically produced components, including the services of the tour operator and of the travel agency which sold the package are part of Domestic Tourism Consumption; The other non domestically produced components are part of Outbound Tourism Consumption;</td>
</tr>
<tr>
<td>Resident visitor which destination is outside the economic territory of the country of reference</td>
<td>Other than the country of reference</td>
<td>The package, as an aggregated product, is part of Outbound Tourism Consumption;</td>
<td>The domestically produced components, including the services of the travel agency which sold the package are part of Domestic Tourism Consumption; The other non domestically produced components are part of Outbound Tourism Consumption;</td>
</tr>
<tr>
<td>Non resident visitor travelling within the economic territory of the country of reference</td>
<td>The country of reference</td>
<td>The package, as an aggregated product, is part of Inbound Tourism Consumption</td>
<td>The domestically produced components, including the services of the tour operator are part of Inbound Tourism Consumption; The other non-domestically produced components, including the services of the travel agency which sold the package are excluded from the measurement concerning the country of reference;</td>
</tr>
</tbody>
</table>
A.2.2. Net valuation of travel agency services

4.18. The net valuation that results from the extraction of the value of travel agency services from the costs of the services in which they are imbedded, have the following consequences:

(a) In the case of a resident visitor travelling within the economic territory of the country of reference, this breakdown has no consequence on the total value assigned to visitor consumption: its only effect is a different product breakdown of domestic tourism consumption;

(b) In the case of a resident visitor intending to travel outside the economic territory of the country of reference, and who purchases a service before departure through a travel agency, two different cases have to be considered:

- The service sold through the travel agency is provided by a resident producer: dividing the value paid by visitors between the value of the service and the value of the travel agency service still consists in assigning the total value to domestic consumption as both are provided by residents: we are in a similar case as the previous one: the total value of the expense is assigned to domestic tourism consumption, and is broken down into its components;

- The service sold through the travel agency is provided by a non resident producer: Then this service is part of what has been defined as outbound tourism consumption (assuming that the consumption of the service occurs outside the country of reference), but the part corresponding to the value of the services of the travel agency itself remains as part of domestic tourism consumption; the total value of consumption is not modified by this new treatment, but the parts corresponding to domestic tourism consumption and outbound
tourism consumption are altered: domestic tourism consumption is increased by the value of the travel agency services while outbound tourism consumption is decreased by the same amount;

(c) In the case of a non-resident visitor whose trip will take him/her inside the economic territory of the country of reference, and who purchases a service through a travel agency before departure, two different situations might also occur. Note that the travel agency must be located outside the economic territory of the country of reference, so that the service of the travel agency is outside the scope of the TSA (a transaction between two non-residents):

- The service sold through the travel agency is provided by a producer resident for the country of reference: although the service proper to the travel agency itself is outside the scope of the TSA, this is not the case of the tourism service “retailed” by this agency which is part of inbound tourism consumption. The net value of the service (once deducted the cost of the travel agency service) is still part of inbound tourism consumption, but this value is now smaller than before this operation, as the payments made by him to non resident travel agencies have to be deducted;

- The service sold through the travel agency is provided by a non-resident producer: Then this service is also outside the scope of the TSA.

4.19. As a consequence of these adjustments not only is the breakdown by products modified by this type of procedure, but the global value of domestic tourism consumption, outbound tourism consumption and inbound tourism consumption are also modified because of the difference of residence between travel agencies “retailing” tourism services, and that of the tourism services which they retail. Figure IV.2. summarizes the findings.

**Figure IV.2:** Summary presentation of the aggregated effects of extracting travel agency services from the value of tourism services

<table>
<thead>
<tr>
<th>Characteristics of the visitor</th>
<th>Residence of the travel agency</th>
<th>Classification in a gross valuation</th>
<th>Classification in an adjusted valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident visitor travelling within the economic territory of the country of reference</td>
<td>The country of reference</td>
<td>The service purchased, as an aggregated product, is part of Domestic Tourism Consumption; The service of the travel agency is an intermediate consumption for the production of this service</td>
<td>The value of the (tourism) service purchased is diminished by the value of the service of the travel agency. All the components of the service, including that of the travel agency are part of Domestic Tourism Consumption;</td>
</tr>
<tr>
<td>Characteristics of the visitor</td>
<td>Residence of the travel agency</td>
<td>Classification in a gross valuation</td>
<td>Classification in an adjusted valuation</td>
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<tr>
<td>-------------------------------</td>
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</tr>
<tr>
<td>Resident visitor which destination is outside the economic territory of the country of reference</td>
<td>The country of reference</td>
<td>The service purchased, as an aggregated product, is part of Domestic Tourism Consumption if domestically produced, part of Outbound tourism consumption if not; The service of the travel agency is an intermediate consumption for the production of a domestically produced service, or an export if not;</td>
<td>The net value of domestically produced components, including the services of the travel agency itself are part of Domestic Tourism Consumption; The net value of other non domestically produced components are part of Outbound Tourism Consumption;</td>
</tr>
<tr>
<td>Non resident visitor to the economic territory of the country of reference</td>
<td>Other than the country of reference</td>
<td>The service purchased, as an aggregated product, is excluded from the measurement concerning the country of reference if not domestically produced, part of Inbound tourism consumption if not; The service of the travel agency is an imported consumption for the production of a domestically produced service, or excluded from the measurement concerning the country of reference if not;</td>
<td>The net value of domestically produced components, are part of Inbound Tourism Consumption; The other non domestically produced components, including the services of the travel agency are excluded from the measurement concerning the country of reference;</td>
</tr>
</tbody>
</table>