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Improving Travel in Chile's Balance of Payments

Prepared by the Central Bank of Chile

IMPROVING TRAVEL IN CHILE'S BALANCE OF PAYMENTS

A- Background

Since 1991, figures on travel, both for credits and debits, have been compiled by combining information on number of travelers, provided monthly by the Chilean International Police Service with a lag of no longer than 45 days, and on average durations of stays and daily per capita expenditures of tourists, which are obtained from surveys conducted by the National Tourist Board three times a year, during high, medium and low tourist seasons.

To obtain these data, the Central Bank has signed agreements with these agencies, whereby it provides certain resources and, in exchange, receives information gathered by them. The Bank has provided computer support to the International Police Service, and has co-financed the surveys. Over the years, some improvements have been made and resources increased. A broader geographical breakdown of inward and outbound travelers and a more timely provision of data from the International Police Service have been achieved. In the case of the National Tourist Board, the main improvements have been the inclusion of questions for specific balance of payments purposes, such as the purpose of the journeys, and an increase in the size of samples.

B- Recent Developments

The importance of the travel component in the current account underlies the resources which the Central Bank has devoted towards collecting these statistics. Travel credits estimated for 1984 were 17% of total credits for services, and 2.6% of exports of goods and services. These percentages had risen to 28% and 5.4% in 1999. The average annual rate of growth of travel credits was 16 % over this period. In the case of debits, the share of travel in total services remained at 23% , and dropped from 6% to 5% of total goods and services, while the average annual growth rate was close to 9 %.

The growth of travel and other services have attracted the attention of authorities, particularly those of agencies concerned with measuring and promoting these activities. Among them, the National Tourist Board has committed resources towards improving travel statistics. One of its main achievements in this field has been the compilation and publication, in 1999, of the first Tourism Satellite Accounts, referred to 1996, which is the same year for which the Central Bank has been compiling an updated input-output matrix for the Chilean economy, which will be released in late 2000.

Compilation of the Satellite Accounts required coordination with Central Bank National Accounts and Balance of Payments compilers.

In the course of this work, concerns as to the quality of the basic statistics, and requirements for increasing resources to be used for this purpose, have been raised. Balance of Payments

compilers, whose main objective is to provide timely statistics compiled according to BPM5 requirements, and to ensure that they are of the highest possible quality, have been faced with the need to assess competing demands on various fronts, and to find ways to find cost effective as well as practical solutions to statistical needs. In recent years, the Central Bank has committed additional resources towards improving balance of payments, external debt and international investment position statistics. Two important projects are being developed: one on services and another on financial account flows and related positions and investment income. In the case of services, the travel account was not included, as the project covers only those items where information was deemed to be the weakest. Against this background, therefore, a re-examination the compilation of travel statistics is being undertaken.

C- Main findings

1- General

It is not easy to reconcile the needs of the three agencies that are involved (National Tourist Board, International Police aand Central Bank), because of their different objectives, resources, and other characteristics. Nonetheless, this collaborative approach, which it has taken a long time and effort to consolidate, is deemed useful, and no dramatic changes are envisaged in the near future.

2- Definitions

a- Concepts differ among the participating agencies. The National Tourist Board, in general, follows the guidelines of the World Tourism Organization, whose definitions are not exactly those of BOP. Some of these have an impact on the way the data are collected. Such is the case of same-day visitors, who are not included in the surveys conducted by the Tourist Board, and whose average expenses are liable to differ significantly from those of travelers whose trips last longer than one day. This probably has a significant impact in the case of passengers in one of the crossing points on the Chile-Perú border, where there is considerable traffic between neighboring cities.

b- The classification of travelers used by the International Police Service was developed for their own purposes, and is different not only from BOP concepts, but also from WTO definitions. Three categories are defined:

-Tourists: travelers with foreign passports, who do not hold resident visas
-Residents: travelers with foreign passports, who:
      -Hold visas for residing in Chile, usually for studying or for working purposes
      -Are crew of international carriers
-Chileans: travelers with Chilean passports

These categories are not entirely consistent with BOP classifications. So-called residents could be non-residents according to BOP, and their expenses in Chile, considered part of travel credits. Any expenditures they make abroad, on the other hand, in that case would not

be part of travel debits. In practice, no distinction within these "residents"is made according to the length of time that they reside in Chile. In the case of foreigners staying in Chile for over a year for purposes other than education or health, they should be considered Chilean residents for BOP purposes. If the purpose is education or health, they should be considered non-residents from the BOP viewpoint.

In the case of the category of Chileans, those who reside abroad for periods of over one year for other than education or health purposes should be excluded from the data, because they would be non-residents for BOP purposes.

Some minor adjustments are made for Balance of Payments purposes, to take account of these situations.

3- Coverage of information on travelers

The information on number of travelers that is provided by the Chilean International Police does not cover all the crossing points on the Chilean border, as some of these are controlled by the national police service. The resulting undercoverage, however, is low.

4- Surveys

a- Surveys are conducted at the main airport and the other 3 main crossing- points on the Chilean border, which together account for approximately 70% of foreigners entering Chile, and 80% of Chileans traveling abroad. Overall, there are 61 crossing points on the border controlled by the International Police, and a few controlled by the National Police.

For surveys on incoming travel (credits), passengers leaving the country are interviewed by specially trained interviewers. The travelers are asked to answer the questionnaire only if they declare that they do not reside in Chile. Surveys on outbound travel are applied to arriving passengers. In this case, the questionnaire is answered only by those who claim to reside in Chile.

During the high season of 2000, Central Bank statisticians went to the airport to see, in practice, how the surveys were conducted and the problems that were faced. The main problem found affects the interviews to returning Chilean residents. The administrative customs and international police procedures have been greatly simplified in recent years, resulting in a very short time span in which to conduct the interviews. This has made it more difficult to answer the questionnaire, affecting the number of interviews that can be carried out by the same staff, and is felt to be detrimental to the quality of the information collected. Aware of this problem, a form to be filled directly by the travelers, instead of the interviewer, was handed out. However, it was discarded because of the lack of collaboration of travelers.

In the case of travel credits, the survey is answered by non-residents, generally foreigners who are more willing than Chileans to accept interviews, and who have more time to answer the questionnaire before they board the aircraft, in the case of the airport. In this

case, problems may arise due to language barriers, as the only alternatives are Spanish and English.

Overall, it was felt that the direct participation of the National Tourist Board in the survey is important, mainly because of their expertise and their friendly, non-intimidating image, that closer monitoring was desirable, and that there could be further improvements in some practices, such as codification procedures. Also, it was felt that new ways to collect the information on the survey applied to Chilean residents, should be further explored.

b- Geographical breakdown

The country breakdown of expenditures of Chilean residents abroad is not collected directly in the surveys. The only information gathered to this effect is the number of days spent in each country. Country allocation of travel debits may be distorted, because expenses are allocated to the country where the visitor spent more days during the course of the trip.

c- Breakdown by type of travel

Although the questionnaire gathers information about the main purpose of the trip-business or personal- and of the latter, health –related, education-related or other- these data are not processed in a way that allows the estimation of the needed breakdowns for BOP purposes. Till now, the only information available is the breakdown of the number of travellers according to the main purpose of their trip.

5- Combining sample and population data

Mainly because of differences in definitions, certain distortions arise from the way in which the information from these sources is combined to obtain BOP figures.

a- On one hand, distortions may occur if average expenditure and number of days of the sample do not represent those of the population to which they are applied.
In general, the sample is selected on the basis of residence similar to the BOP concept, but the results are applied to a population defined on the basis of nationality. Also, distortions occur in the case of same-day visitors or excursionists, who are included in the population, but excluded from the sample survey.

b- On the other hand, under or overestimations arise because of the definitions of population which are employed.

-Debits: Overestimation occurs because average daily expenditures obtained from interviews to residents of Chile, are applied to the number of Chileans entering the country, supposedly returning residents, but actually also including incoming non-residents holding Chilean passports. On the other hand, underestimation occurs because foreigners who reside in Chile (part of residents according to International Police definitions), returning from abroad, are excluded.

-Credits: Underestimation occurs because average daily expenditures obtained from interviews to non-residents leaving the country, are applied only to the number of so-called tourists, defined according to the International Police definition, leaving out people who hold Chilean passports but who are not residents according to BOP criteria. So-called residents by the International Police standards, are entirely left out because although they hold foreign passports, they are deemed to be residents of Chile. However, depending on the duration and reason of their stay, they may include non-residents by BOP standards, and should be included in BOP estimates.

c- At present, average daily expenditure and length of stay are applied to monthly data on travelers. This is an acceptable procedure if the average stay lasts less than one month. Although overlapping is likely to occur, it is reasonable to assume that they may cancel out from one month to the next. However, for longer trips, as is likely to occur in education-related travel, expenses should be spread out over a longer period.

d- Country attribution of travel debits may be distorted by two factors. On one hand, data on destination of travelers provided by the International Police Service refer to one country, whereas several countries could be visited during the course of a trip. On the other, data on average length of stay and daily expenditure estimated for each country is calculated on the basis of overall expenses and duration of trips in which the greatest number of days was spent in that country. The results are applied to the number of passengers who report those countries as their destination. Distortions may occur because of variations among countries, in daily expenses or the number of days spent during the course of a trip.

6- Insufficient coverage of surveys

Over the years, several factors have led to a drop in the degree that the samples represent the population. Although in 1995 the percentage increase in Central Bank financing of the surveys, in real terms, was above the growth in the number of travelers since the 1991 agreement between both agencies, there has been a reduction in the sample fraction.

In the case of debits, in 1996 the sample represented 0.48% of the population. In 1999 it had fallen to 0.37%. This year it is expected to rise to 0.81%, as a result of the Tourist Board's increase in resources allocated to the surveys. However, it is deemed necessary to reach 1.1%, because of the greater number and complexity of questions.

In the case of credits, the fraction was 0.61% in 1996, and 0.58% in 1999. For this year, it is expected to rise to 1.2%, and to 1.5% in 2001.

The main reasons for the fall in the sample fraction are the increase in the number of travelers, both in and out-bound, the greater complexity and number of questions in the surveys, and the increase in resources needed to conduct the same number of interviews. Paradoxically, modernization, which has shortened administrative procedures to which travelers are subject at airports and other border crossing points, has made it more difficult to conduct the surveys.

7- Delay in processing of surveys

This has mainly affected those of expenditures of Chileans traveling abroad, and is probably explained by budgetary constraints, and by the Tourist Board's greater interest in incoming tourism.

D- Possible Improvements and Future Plans

Several alternatives for improving coverage and quality of information have been planned or are being considered.

1- Surveys

Most of planned improvements deal with surveys. This is explained to an important degree by the fact that the National Tourist Board has a big interest in improving its statistics, and is willing to incorporate BOP requirements in addition to its own.

a- Increase in the number of surveys

This is one of the main objectives, as it will allow the sample fraction to grow to acceptable levels, and also correct some of the above-mentioned problems. Such is the case of geographical allocation. The possibility of obtaining country breakdown of expenses directly from the surveys, when residents travel to more than one country, has been discarded, because it would lengthen the survey and, although formally it could be considered an improvement, it could result in an increase in estimation errors. More important, an excessively lengthy questionnaire could increase the number of persons who refuse to answer. In general, an increase in the number of surveys allows crossing variables that are relevant for obtaining BOP classifications, as, for example, information on the nature of the trip.

b- Coverage of surveys

One-day travelers (excursionists) should be surveyed, as they are included under travel.

c- Additional processing

As was stated, some information is currently included in the survey, but is not adequately processed for obtaining BOP breakdowns. This is the case of the nature of the trip, and also of residency and nationality. In the latter, both data are considered in the survey, and, if processed, could be used for estimating the adjustments to basic data on population provided by the International Police using the nationality criteria.

d- Timely processing

More coordination with the Tourist Board is needed. They have recently made a committment to provide the Central Bank data on a more timely basis.

e- Application of surveys

Some changes in the ways surveys are applied are being considered. To obtain more collaboration from travelers, and thus, more representative samples and high quality information, some changes, such as offering small gifts when answering the questionnaires are also being considered.

Closer monitoring by the Central Bank will continue to be done. One important aspect to be considered is to be involved in training interviewers, and also to work more closely with the National Tourist Board in the way that the data are processed.

It is also deemed necessary to ensure that a certain number of interviewers have a good command of English.

2- International Police data

In this case, it has been more difficult to make changes, partly because of frequent changes in personnel, and also because their role is different. However, there are two aspects that will be explored, and which may be feasible because of technological changes, resulting in a significant improvement in statistics.
The first is to process data on the actual duration of trips, and the second, to process data on residency, in line with BOP definitions.

3- Others

a- Additional surveys or research

Package tours. In the course of gathering data for the satellite accounts, in which additional questions were added to the surveys, it was found that difficulties in separating information on travel from transportation, in the case of package tours, were faced. Currently, adjustments are made to exclude this component, but it was felt that further research would be useful.

Alternatives for obtaining information from other sources, on education-related expenses, should also be assessed.

The possibility of having returning residents answer questionnaires on board the aircraft is being considered. An important number of residents fly the Chilean national airline, whose authorities will be approached by the National Tourist Board to explore the possibility of reaching a mutually beneficial agreement to this effect. This would be done as a pilot project, in addition to interviews at border crossing points.

If this is not possible, new ways to gather the information from Chilean residents traveling abroad, such as handing out questionnaires to be sent by mail (pre-paid postage), or the use of Internet, are being evaluated. Another alternative to be explored is to hand out the

questionnaire before the trip, and to have it picked up at their return, by the airline or as part of the procedure for entering the country. This would require collaboration from the other agencies involved

b- Combination of sample and population data

Some changes will be made to bring in line sample data and population categories. This implies increasing sample sizes to allow obtaining representative data, as well as making proper adjustments to the population data.

Other changes include the allocation of expenses over time, in the cases of students and health related travellers, when average stays exceed one month, and the allocation of expenses by country or area.

E- CONCLUSIONS

Faced with limited resources, pragmatic approaches have been adopted for collecting and compiling information on travel. Among them, cooperation with other government agencies or institutions, if possible seeking mutually beneficial agreements, has proven successful.

Nonetheless, differing functions and interests make it difficult to obtain consistent and high quality data. The harmonization of definitions among agencies within the country and among international organizations is therefore of great interest.

Also, it is necessary to make these institutions aware of the crucial role they can play to improve statistics, and of the importance of having timely and high-quality data.

Competing demands for resources for collecting and compiling statistics require finding cost-effective solutions, and to apprise existing methodolgy.

Changing practices pose new problems for collecting information, and must be met with adequate solutions.

Chilean BOP compilers are examining current methodology and practices in the compilation of the travel account, with a view to correcting some problems, and to using resources efficiently. One of the most important short-term goals is to increase the coverage of surveys, thus enabling appropriate statistical adjustments to estimate total credits and debits, broken down by BPM5 categories. This has already been partially done, and will probably lead to an increase in resources as well as to closer monitoring, so that they are used efficiently.

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