



STATISTICS DIRECTORATE

National Accounts and Economic Statistics – International Trade Statistics

ABS Exporter Project: Progress Report

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ABS Exporter Project: Progress Report

This project seeks to incorporate the four modes of supply, as defined by GATS, into ABS export statistics to give a broader picture of exporters and the value they contribute to the Australian economy. It will focus on the two areas not sufficiently covered by current ABS data, modes 2 and 4, and will develop new methodologies to estimate the number of exporters and the value of their exports for these two modes.

1. Objectives

The Australian Bureau of Statistics (ABS) commissioned its Analytical Services Branch (ASB) to undertake this project, in order to address gaps in our export statistics resulting from the introduction of mode of supply concepts, as outlined in the General Agreement on Trade in Services (GATS). This particular project is focused on estimating the **number of exporters** and **value of their exports** by mode.

The Manual on Statistics of International Trade in Services (MSITS) does not suggest that its extensions to the scope of the term 'international trade in services' be regarded as imports or exports. However that terminology is used in this paper. The project is being supported by the International and Financial Accounts Branch (IFAB), which has responsibility for the relevant statistics.

2. Our Approach

Although the GATS definitions relate to trade in services, the project will also be considering merchandise exports by mode. The definitions we are following are:

- Mode 1: An Australian resident business that send goods and/or services from Australia to an overseas country.
- Mode 2: An Australian resident business that supplies goods and/or services to foreign residents visiting Australia.
- Mode 3: An Australian resident business that has subsidiaries abroad which sell into overseas markets.
- Mode 4: An Australian resident that travels abroad to provide services.

The ABS already has good coverage of mode 1 and 3 exports. For **Mode 1 Merchandise** exports data, the ABS uses administrative data from the Australian Customs Service (export records). For **Mode 1 Service** exports data, the ABS carries out a quarterly Survey of International Trade in Services (SITS). These sources provide comprehensive information on the value of Australian exports and the numbers of Australian exporters for this mode of supply.

In 2003 the ABS carried out its inaugural Survey of Foreign Affiliates Trade (SOFAT). This survey examines the trade of all foreign affiliates of Australian resident businesses, both Australian and foreign-owned (where affiliates are defined as major owned by the Australian parent). The survey also collects data about affiliates' exports back to affiliated Australian enterprises. This survey thus adequately covers outward **Mode 3** as defined above. Results from SOFAT are expected to be published progressively later this year.

This project will therefore focus on developing methodologies to estimate the value of exports and numbers of exporters for **Mode 2** and **4** exporters. An issue to be addressed is the extent of potential overlap, firstly between the separate populations of goods and services exporters, and secondly between exporter populations for the various modes of supply.

3. Preliminary Data Findings and Methodological Approaches for Modes 2 and 4

4.1. Mode 2

There is currently no methodology available to estimate the number of Mode 2 exporters, although the value of their exports are included in the relevant standard components of trade in services. It is generally more appropriate to measure the purchases of goods and services by non-residents by questioning the visitors themselves, rather than seek information from the suppliers of the goods and services, who would not normally know the residency status of individual clients. There is then no information readily available on the supplier (exporter).

As most Australian businesses will supply services to non-residents visiting Australia at some point, it is necessary to define more closely the scope of the study. We have decided to limit the scope to those businesses which have a particular focus on the provision of services to non-residents e.g. direct resources to targeting these markets.

We have decided to consider several sub-groups to start with. Particular focus will be on **tourism, education** and **health related services**. We have only recently begun our investigation into health exporters. However our investigation of tourism and education data has progressed.

3.1.1 Tourism related services

In reviewing ABS and external material it was clear that sufficient and reliable data could not be found for tourism service exporters (see Section 4.2). Although the ABS' Tourism Satellite Account (TSA) will be useful for estimating the **value** of tourism service exports, the **number** of exporters are not covered in this or other existing data. Thus we see estimating this group as unfeasible in the *short term*.

We are seeking to estimate this group in the *longer term* through the use of the concept of *export focus*. That is, we will include in this category businesses who see exporting to visitors as an important facet of their business and direct resources towards attracting this market. We are interested in enhancing selected ABS and non-ABS surveys to estimate this group.

3.1.2 Education related services

An external database maintained by two government agencies keeps a count of every international student studying at primary, secondary and tertiary level in Australia. Thus we feel that we can estimate the numbers of exporters for this sub-group. The value of exports is already included in the relevant trade in services estimates.

We are considering incorporating a threshold (based either on revenue from international students or numbers of these students) to ensure that we include only those institutions for whom exporting is a significant activity.

4.2. Mode 4

There is no currently available methodology with which to estimate the number of exporters and their value of exports for this mode. The conjecture over who is to be included in this mode (see Section 4.1) adds to the difficulty.

We have reviewed the data available to estimate this mode and found two avenues to explore. The first is the Outgoing Passenger Cards, which all Australian residents complete when they leave the country. One question asks the purpose of their trip, where possible answers include business and employment and a second asks the length of their stay (useful for the temporary requirement of Mode 4). However there are significant problems associated with this data (see Section 4.2.2).

The second possibility is personal income tax data from the Australian Taxation Office (ATO), which asks whether the person has earned income whilst abroad. This data has the potential to be very useful because it will only include those who are working overseas temporarily and will include the amount of value each consultant is exporting. We have yet to examine this data fully.

4. Problems/Challenges

The problems this project has faced can be grouped into two main categories:

4.1. Definitions

We have found that for many of the modes the MSITS does not provide strict definitions regarding specifications, leaving these up to individual countries. For instance:

Mode 2: Where to draw a threshold?

Mode 3: Whether to include subsidiaries who export back to the parent company or back to Australia?

Mode 4: What defines temporary? MSITS suggests anywhere from 2-5 years. Where to draw the line for a consultant/employee? Do we include all those who are working overseas temporarily or attempt only to include those who do not *become part of the workforce*? There are conflicting opinions on this.

4.2. Data

4.2.1 Mode 2

We have had significant difficulty with Mode 2 exporters primarily due to the following reasons:

- In most cases businesses do not realise they are exporting and thus do not keep accurate records. For example a restaurant that provides food to visitors is usually not aware that the people they are serving are from abroad.

- For tourism it is difficult to differentiate between foreign and domestic tourists. For example a hotel might be able to say a significant number of their visitors were tourists or business visitors, but might be unable to say specifically that a certain number were from abroad.

4.2.2 Mode 4

- Outgoing Passenger Cards Data: we have found that the business and employment categories are too broad. While they would pick up our targets they would also include people traveling overseas on a business trip or investigating possible business opportunities and it would be virtually impossible to separate the two groups.

Where to now?

It has taken quite a long time to get to the stage we are now in, that is gathering our data and beginning our analysis. This is because of the problems highlighted above as well as the variety of sources we have had to gather data from.

We aim to prepare a comprehensive report on our findings by the **beginning of October** this year. However this project forms part of a wider ongoing project to fully incorporate GATS modes of supply into our export statistics.

In the immediate future we will be beginning our analysis of the data available (Mode 2 Education) and examining further available data outlined above for Mode 2 (Health) and Mode 4. We will also be pursuing the question of how to gather data on those firms - particularly for Mode 2 (Tourism) - with an *export focus*.