

Maintenance and Repair of Motor Vehicles - Session Notes

Session Leader: Mark Wallace

Discussant: Greg Peterson

Turnover/Output Mini-presentations:

Ramon Bravo - INEGI, Mayumi Fujita – Statistics Bureau of Japan, and Greg Peterson -- Statistics Canada

Prices Mini-presentations:

Chris Jenkins – Office for National Statistics, United Kingdom, and André Loranger – Statistics Canada

The maintenance and repair session followed a different format than prior sessions. The Voorburg Group Bureau suggested evaluation of an abbreviated presentation format with the discussant summarizing all of the papers at the beginning.

Discussant Summary

A review of the UK SIC, JSIC, NAICS Mexico, NAPCS Canada, CPS 2008 and NAPCS Canada (provisional) illustrated that all of the countries and classifications reviewed included the same things although in different sections of the classifications. The market conditions were also similar: the industry is dominated by small producers and the revenue concentrations are low.

There are different turnover drivers for different countries. For example, Japan has mandatory safety and maintenance inspections every 1-3 years depending on the type of vehicle. Canada on the other hand does not and safety issues are dealt with by the police through traffic stops.

The amount of motor vehicle repair service coming from the repair industry may not be a good indicator of the total amount of the product produced. Canada noted that only 10% of motor vehicle repair comes from the industry. A large portion of repair is done by motor vehicle dealers.

All four presenting countries have sub-annual turnover data available. Japan, Mexico, and the UK have monthly surveys and Canada has a quarterly survey that relies on administrative data along with a small sample of large providers.

The SPPI for motor vehicle repair in the UK is based 100% on the retail price index (RPI). Previously, the SPPI was based on external data sources and the RPI (60/40) but the external data came into question and is no longer used. The UK excludes the value of parts (when possible) so the index is representing the service.

Canada does not have an SPPI for motor vehicle repair and maintenance because it is covered in the CPI. Canada only covers passenger cars and has further breakdowns for parts and service.

Using a CPI in place of a SPPI does have drawbacks. Business to business transactions are generally excluded from CPIs, there may be price differences between consumers and businesses, etc. However,

there is a cost benefit analysis that must be done. For both Canada and the UK, the benefits do not outweigh the costs of a separate SPPI.

Discussion

A large part of the discussion focused on the desirability or need to separate out parts and labor in both turnover and price indices. The discussant noted that turnover and prices should separately identify goods and services for I/O and other purposes.

Japan noted that their turnover data includes both parts and services and from a practical standpoint, it is hard to separate them. Mexico also noted the inability to separate out parts and services. Canada agreed that it is hard but they do ask and hope for good response.

The discussion continued to focus on whether or not parts and services should be separated. In manufacturing parts are considered intermediate consumption and can include installation (services). However, this treatment would be inconsistent with other practices because you would treat parts as a trade margin rather than intermediate consumption. There are differences between repair and manufacturing. In manufacturing there is a transformation. In repair, there is no transformation, just installing a repair part. It was also noted that the purchase of a repair part does not necessarily require bundling with installation.

The case of printing was raised as another example of the goods vs. services split. Printing is not a pure service because the printer often provides the paper but we still call it a service. However, France's PPI collects paper and service. There are two indices – one has only labor or service for use as an escalator while the other has both the service and paper to match the turnover level for national accounts deflator.

The idea of separating goods and services is an attempt to avoid double counting. If a household consumes an engine, it is final consumption. If a business buys an engine, that could be either capitalized or not. Separate identification of goods is important in making the distinction between expenses and capital life extension.

The discussion addressed quality adjustment for repair services. All agree that the service should remain constant but caution is needed when reviewing price changes. If a price increase is coincident with now including, "a free brake inspection", that would actually be a quality change regardless of what it is called. A similar situation exists when a new car is sold and it includes three years of free maintenance. The price of the car includes both the good and the advanced purchase of services. Quality adjust should always be done when there are changes involving new or additional services.

Finally, the discussion addressed some shortcomings with using a CPI rather than a dedicated SPPI. Concerns about missing negotiated discounts for large businesses in the CPI, using a CPI to estimate heavy truck repairs is not optimal, and similar issues were noted.

Conclusion

Although there is some disagreement over the need to separate goods and services, repair and maintenance of motor vehicles will have a sector paper prepared for next year. The group had some reservations about the format used for the session. First, there was concern that a summary did not focus enough on the national peculiarities. Not as much was learned but it was time efficient. The group also noted that the discussant should be independent. The group suggested that the format might be better for cross cutting issues. Overall, the format was liked but not for all future presentations. A final note for consideration is that even in normal presentations, there might be more opportunity for the session chair to summarize common elements beyond the classification summary done currently.