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Mini-presentation on Turnover/Output for Leasing Intellectual Property and Similar Products (ISIC 7740) in Poland



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Introduction

In Poland the statistical information on the activities classified to *Leasing Intellectual Property and Similar Products* are available in official statistics, however, they are not disseminated publicly. It results from the narrow interest of national data users in those information as well as the role *Leasing Intellectual Property and Similar Products* plays in the national economy.

In 2012 the enterprises which dealt with the leasing intellectual property and similar products constituted 0,3% of total number of enterprises in Section N *Administrative and support services* by NACE Rev.2/ISIC Rev.4. The share of persons employed in those enterprises in total number of persons employed in Section N was accounted for 0,2% while the share of turnover generated by those enterprises – for 0,6%. Therefore, the enterprises with the core activity within *Leasing Intellectual Property and Similar Products* are comprised by most of statistical surveys but information are usually presented at the level of Section N *Administrative and support services* or division 77 *Rental and leasing activities* by NACE Rev.2/ISIC Rev.4.

In Poland the surveys of business statistics comprise all entities of national economy. It allows to compare the results of a survey between various business activities. Moreover, the enterprises with the number of persons employed 10 and more are usually surveyed in a way of census. As a result information for those enterprises can be presented at the lowest level of detail. In case of smaller enterprises the stratified sample of entities is surveyed and the detail level of presented data depends on the way in which a sample is selected and the results are grossed up.

Nevertheless, information on *Leasing Intellectual Property and Similar Products* are compiled in compliance with the requirements resulted from the membership of Poland in the European Union (the EU). Due to new statistical requirements imposed on the Member States by the EU the scope of published statistics has recently been improved. Simultaneously, it is observed that the market of licensing services for the right to use intellectual property and similar products has been growing steadily for few years

1. Definition of licensing services for the right to use intellectual property and similar products

The subject matter of this paper focuses on the licensing services for the right to use intellectual property and similar products. In Poland those services are defined according to the Polish Classification of Goods and Services (PKWiU) which is completely coherent with the Statistical Classification of Products by Activity in the European Economic Community (CPA2008). This category comprise the licensing services for the right to use:

- research and development products,
- trademarks and franchises,
- mineral exploration and evaluation,
- other intellectual property and similar products, except copyrighted works;

The business activity related to the above mentioned licensing services relies on leasing intellectual property and other similar products, which are charged in the way of royalties or licensing fees for the owner of intellectual property. However, the owners may but not have to be the inventors of these products.

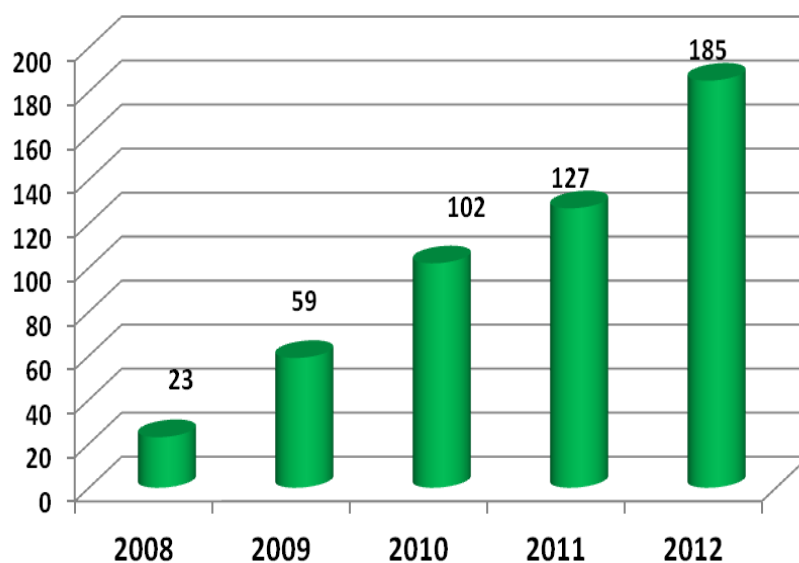
The business activity excludes: leasing right to use publications, produce, copy and disseminate the works protected by copyright, leasing real estate as well as tangible assets.

2. Market conditions and constraints

In Poland the market of licensing services for the right to use intellectual property and similar products evolved after 2000 when the industrial property law act and implementing regulations came into force. Poland has participated in the international agreements and conventions protecting the rights of intellectual property before 2000 but the national law acts regulate more directly the rules and the ways of protection.

In 2012 the number of enterprises was accounted for 185 enterprises while in 2008 there were about 20 enterprises. The most significant increase was recorded in 2012 when the number of enterprises rose by about 45% in comparison to 2011. The population is dominated by enterprises with the number of persons employed 9 and less.

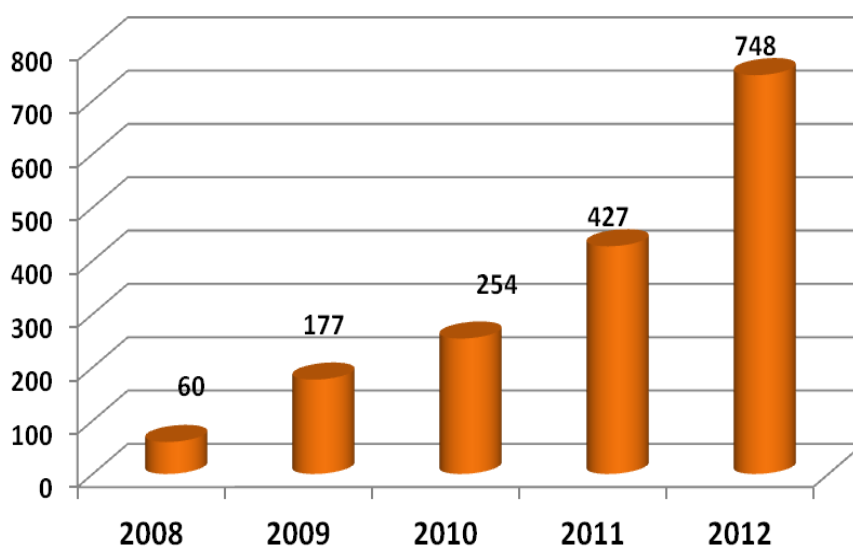
Chart 1: Leasing Intellectual Property and Similar Products – number of enterprises in years 2008-2012



Source: Structural Business Statistics

In 2012 the number of persons employed in *Leasing Intellectual Property and Similar Products* was accounted for 748 and it was above twelve times higher than in 2008.

Chart 2: Leasing Intellectual Property and Similar Products – number of persons employed in the years 2008-2012

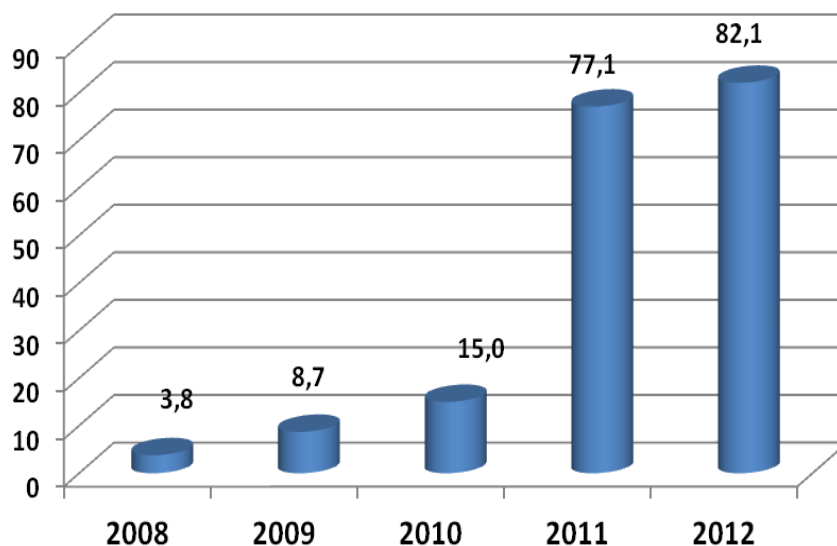


Source: Structural Business Statistics

The growth in the number of enterprises and the number of persons employed influenced the value of turnover generated by enterprises with the core activity within *Leasing Intellectual Property and Similar Products*. The value of turnover rose from about 4 mln euro in 2008 to

above 82 mln euro in 2012. Moreover, in 2012 the enterprises with the number of persons employed 10 and more gained over 90% value of their turnover from their core activity. Above 5% of turnover came from retail trade, except of motor vehicles and motorcycles.

Chart 4: Leasing Intellectual Property and Similar Products – turnover in MLN EUR in years 2008-2012



Source: Structural Business Statistics

Based on the results of survey “International trade in services” it was recorded that in 2012 above 70% value of services exported by enterprises with the core activity within leasing intellectual property and similar products came from fees on the franchises and similar rights. Other business services constituted about 16% value of services export. At the same time the enterprises in question imported the following services: advertising services – above 50%, other royalties and license fees - about 26% and other business services – above 13% of total imported services.

3. Standard classification structure and product details

The Polish Classification of Activities (PKD2007) and the Polish Classification of Goods and Services (PKWiU) are fully methodologically, conceptually, in the scope and coding system (up to fourth digit) coherent and comparable with the classifications: the Statistical Classification of Economic Activities in the European Community, Rev. 2. (NACE Rev. 2) and the Statistical Classification of Products by Activity in the European Economic Community (CPA2008).

The business activities related with leasing intellectual property and similar products are classified into the class 77.40 *Leasing of intellectual property and similar products, except copyrighted works* by NACE Rev.2 which corresponds to the class 7740 of the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4).

Table 1: Leasing intellectual property and similar products, except copyrighted works in PKD2007, NACE Rev.2 and ISIC Rev.4

PKD2007=NACE Rev.2		ISIC Rev.4	
Code	Description	Code	Description
N	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	N	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES
77	Rental and leasing activities	77	Rental and leasing activities
77.4	Leasing of intellectual property and similar products, except copyrighted works	774	Leasing of intellectual property and similar products, except copyrighted
77.40	Leasing of intellectual property and similar products, except copyrighted works	7740	Leasing of intellectual property and similar products, except copyrighted works

The licensing services for the right to use intellectual property and similar products are classified in the division 77 *Rental and leasing services* under the code 77.40 *Licensing services for the right to use intellectual property and similar products, except copyrighted works* by the CPA2008. It corresponds to the code 773 *Licensing services for the right to use intellectual property and similar products, except copyrighted* by the Central Product Classification (CPC Ver.2). Despite the used various number codes the further breakdowns applied in both reference product classifications are the same.

Table 2: Licensing services for the right to use intellectual property and similar products, except copyrighted works in PKWiU2008, CPA2008, CPC Ver.2

PKWiU2008 = CPA2008		CPC Ver.2	
Code	Description	Code	Description
N	ADMINISTRATIVE AND SUPPORT SERVICES	7	Business and production services
77	Rental and leasing services	73	Leasing or rental services without operator
77.4	Licensing services for the right to use intellectual property and similar products, except copyrighted works		
77.40	Licensing services for the right to use intellectual property and similar products, except copyrighted works		

77.40.1	Licensing services for the right to use intellectual property and similar products, except copyrighted works		
77.40.11	Licensing services for the right to use research and development products	73330	Licensing services for the right to use R&D products
77.40.12	Licensing services for the right to use trademarks and franchises	73340	Licensing services for the right to use trademarks and franchises
77.40.13	Licensing services for the right to use mineral exploration and evaluation	73350	Licensing services for the right to use mineral exploration and evaluation
71.20.19	Licensing services for the right to use other intellectual property and similar products, except copyrighted works	73390	Licensing services for the right to use other intellectual property products

4. Output measurement in *Leasing intellectual property and similar products*

In Poland the public statistics compiles wide range of variables which could be helpful when describing *Leasing intellectual property and similar products* such as turnover, revenues from various types of business activity (e.g. operational or financial revenues, etc.), number of enterprises or number of person employed, etc.. They are compiled within the different domains of statistics: structural business statistics, short-term statistics, labour statistics or international trade in services.

The variable used to present the output of *Leasing intellectual property and similar products* is turnover at the industry level. It means that the recorded value comprises not only the turnover from leasing the intellectual property and similar products but also turnover from other kinds of activities. On the other hand it does not include the turnover from the surveyed activity but generated by enterprises dealing within their core activity with other than *Leasing intellectual property and similar products* activities. At presents there is no plans to produce data on turnover at the product level.

In Poland information on turnover for *Leasing intellectual property and similar products* are produced on the annual and monthly basis. However, short term statistics have been accessible since January 2013.

Annual information on turnover

In Poland annual information on turnover of enterprises running the above mentioned activity are elaborated within the structural business statistics. In compliance with the Regulation (EC, EURATOM) No 58/97 of the Council of 20 December 1996 as well as the Regulation (EC) No 295/2008 of the European Parliament and of the Council of 11 March 2008 concerning structural business statistics member states are obliged to produce and provide Eurostat with annual data on turnover for the business activities specified in regulation within the 18 months from the end of reference year.

Information on annual turnover for *Leasing intellectual property and similar products* are compiled on the basis of data collected within the following surveys:

- *Annual survey on enterprises (SP)*
- *Survey of small enterprises (SP-3)*
- *Report on revenues, costs, financial results and outlay on fixed assets (F-01/I-01)*
- *Monthly report on business activity (DG-1)*

The surveys specified above comprise in principle all business activities operating in national economy but they differ in the periodicity and the detail of collected data.

The *Annual survey on enterprises (SP)* collects information from enterprises (with some exceptions) with the number of persons employed 10 and more. The subjective scope of survey concerns information included in the financial statements: balance sheet and the profits and losses account. However, there are also collected additional information, for example number of persons employed, type of book-keeping system, the share of foreign capital, changes in ownership, etc. In the questionnaire there is also the part concerning the kinds of business activities run by a responding unit. They report the NACE Rev.2 symbol of activity (at the class level) and the value of turnover.

The *Survey of small enterprises (SP-3)* covers enterprises (with some exceptions) with the number of persons employed 9 and less. Information are collected annually from the sample of enterprises (about 5%) which are selected randomly within the settled strata (groupings required by SBS Regulation with the breakdown into voivodships). Information on the kind of book-keeping, number of persons employed, salaries, the value of fixed assets, outlays on their modernization and purchase, taxes, revenues, costs, etc. are collected. Data on turnover are estimated on the basis of data from the Section 4 Revenues and costs of questionnaire *SP 3*.

As for *Leasing intellectual property and similar products* in order to compile data on annual turnover the *Annual survey on enterprises (SP)* and the *Survey of small enterprises (SP-3)* are used as a main data source. However, in case of enterprises which did not respond and it is proved that they operate the additional data sources are used. There are: the *Report on revenues, costs and financial result as well as outlay on fixed assets (F-01/I-01)*, the *Monthly report on business activity (DG-1)* as well as VAT data.

The *Report on revenues, costs and financial result as well as outlay on fixed assets (F-01/I-01)* collects the information included in the profits and losses account and some data recorded in the main position of balance sheet. Data are gained on the quarter basis in case of enterprises with the number persons employed 50 and more and on half-year basis for enterprises with the number of persons employed from 10 to 49. If there are still the lack of information on a given responding unit data on turnover are estimated with the usage of data collected within the *Monthly report on business activity (DG-1)* or VAT data.

The *Monthly report on business activity (DG-1)* comprises all enterprises with the number of persons employed 50 and more and the 10% sample of enterprises with the number of persons employed between 10 and 49. It collects information on net revenues from the sale of products, net revenues from the sale of goods and materials, number of persons employed, value of retail trade, value of wholesale, subsidies, salaries, excise, etc. for the responding month and for period from the beginning of year. It allows to compile information on turnover and estimate the annual value.

Short-term information on turnover

In Poland the short-term information on turnover of enterprises classified into the *Leasing intellectual property and similar products* have been compiled and analyzed since January, 2013. The survey is conducted in compliance with the requirements of Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98 concerning short-term statistics. Data are produced on the base of data collected within the questionnaire *Monthly report on business activity (DG-1)*. For the period before 2013 data on turnover were elaborated at the level of division 77 *Rental and leasing services*.

The enterprises with the core activity classified to *Leasing intellectual property and similar products* are also observed within the survey **International trade in services**. It collects information on import and export of services by country of client - non-residents.

5. National Accounts concepts and measurement issues for the area related to GDP measurement

In Poland information on the production account (gross output, intermediate consumption, gross value added) is presented by national accounts at the level of Sections by NACE Rev.2/ISIC Rev.4 with the breakdown into the institutional sectors.

The compilation of the production accounts consists of few stages. First of them the calculation of production accounts for several business activities is. The output of *Leasing intellectual property and similar products* is recorded within the activity of division 77 *Rental and leasing activities* by NACE Rev.2/ISIC Rev.4 for the sector of non-financial enterprises. In order to compile the production accounts at current prices the results of surveys described in the section *Output measurement in Leasing intellectual property and similar products* are used.

The items of production accounts at constant prices for *Leasing intellectual property and similar products* are calculated as follows:

- Gross output is deflated by overall consumer price index (CPI). In Poland the services production price index (SPPI) is not compiled for *Leasing intellectual property and similar products*.
- Intermediate consumption is deflated with the index calculated each year as weighted average of price indices for energy, materials and outside services. The weights are compiled every five years on the base of results of cycle survey on the value of consumed materials, energy and outside services as well as stocks of materials.
- Gross value added is the difference between the gross output and the intermediate consumption.

6. Summary

- 1) In Poland the market of licensing services for the right to use intellectual property and similar products has been developing for the beginning of 21st century. As a result the statistics on *Leasing intellectual property and similar products* become more and more available.

- 2) The membership in the EU has the considerable influence on the scope and level of detail of compiled statistics. For *Leasing intellectual property and similar products* Poland is obliged to produce and transmit to Eurostat information on:
- annual turnover within the structural business statistics since 2008,
 - quarter turnover indices within the short term statistics since 1st quarter, 2013;
- 3) *Licensing services for the right to use intellectual property and similar products* as well as the business activities related to these services are classified in the same way in the reference industry and product classifications:
- the Classification of Economic Activities in the European Community, Rev. 2. (NACE Rev. 2) = the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4),
 - the Classification of Products by Activity in the European Economic Community (CPA2008) = the Central Product Classification, version 2 (CPC Ver.2);

As a result data on output are comparable internationally.

- 4) The output of *Leasing intellectual property and similar products* is measured by turnover at the industry level. Therefore, when data are analyzed it should be taken into account that the value:
- includes both turnover from the core and second activities.
 - excludes turnover from leasing intellectual property and similar products generated by enterprises from other industries.

Currently there is no plan to compile the turnover by product level.

- 5) The use of the same data sources (the surveys of official statistics) by national accounts and services statistics insure the coherence between the results presented within each of domain.
- 6) In Poland the services production price index (SPPI) for *Leasing intellectual property and similar products* is not compiled. However, there are plans for developing the SPPI for division 77 *Rental and leasing activities* by NACE Rev.2/ISIC Rev.4. It depends on the requirements which will be imposed by Eurostat within the Framework Regulation Integrating Business Statistics (FRIBS) (currently under discussion).