

**Second meeting of joint OECD – EUROSTAT Task Force for the revision of the *Methodological guide for developing producer price indices for services***

**26-27 September 2011**

**Office for National Statistics,  
Newport**

**Attendees**

**Task Force members:** Dorothee Blang (Destatis), David Friedman (BLS), Denis Gac (INSEE), Alain Gallais (INSEE), Ildikó Hamvainé Holocsy (Hungarian Central Statistical Office), Christopher Jenkins (ONS), Hina Kikegawa (Bank of Japan), André Loranger (Statistics Canada), Michael Morgan (ABS), Bonnie Murphy (BLS), Yeonsuk Park (Bank of Korea), José Luis Sánchez Alvarado (INEGI), Marcel Spanjaard (Statistics Netherlands), Christian Stock (Statistics Austria), Ruth Vizner (Central Bureau of Statistics, Israel).

**Secretariat:** Nadim Ahmad (OECD), Anne-Sophie Fraisse (OECD), Thomas Jaegers (Eurostat).

***Minutes***

**Agenda item:** 1. Opening of the meeting and introductory remarks **Presenter:** Nadim Ahmad (OECD)

**Discussion:**

The meeting was chaired by Nadim Ahmad. Christopher Jenkins welcomed the participants to the Office for National Statistics hosting the second joint Eurostat/OECD Task Force (TF) meeting in continuity with the 26<sup>th</sup> Voorburg Group meeting on Service Statistics at which all task force members (except José Luis Sánchez Alvarado and Nadim Ahmad) had participated. He emphasised the importance of the work of the Task Force which aims to capitalize on the recent experiences of OECD and EU countries in the field of service producer prices statistics (SPPI) in order to complete a new version of the SPPI Guide by the end of the year 2012.

Nadim Ahmad thanked André Loranger who officially represents the Voorburg Group (VG) on the TF for having promoted interaction and synergy between the VG and the TF.

He also informed TF members that Sweden was no longer involved in the TF.

**Agenda item:** 2. Mandate of the Task Force **Presenter:** Nadim Ahmad (OECD)

**Discussion:**

1. Nadim Ahmad (OECD) summarised the key objectives in the final mandate and opened the floor for agreement of the final mandate;
2. Anne-Sophie Fraisse presented the organisation of the work program for the revision of chapter 4.

**Conclusions:**

1. TF members agreed on the Mandate. It was noted that the Secretariat should check to make sure the hyperlink in footnote is operational – it did not work for some members of the TF.
2. TF members agreed on the designation of the lead author for each revised or new section of chapter 4. The lead author was still missing for two sections however:
  - ~ **Sea and coastal water transport:** the decision of Norway on its participation on the TF was still pending. However, Norway proposed – during the VG meeting – to provide at least inputs on the Norwegian experience on Sea and coastal water transport;
  - ~ **Food and accommodation:** following the withdrawal of Sweden, no TF member has volunteered for drafting this new section. However, the sector paper presented during the 2011 VG meeting should be considered as a good starting point.

Action items		Person responsible	Deadline
✓	Provide TF Members with the final Mandate	Secretariat	
<b>Agenda item:</b>	<b>3. Discussion on the harmonised structure of chapter 4 sections</b>	<b>Presenter:</b> Nadim Ahmad (OECD)	
<b>Discussion:</b>			
<p>Nadim Ahmad presented a proposed framework for drafting sections of chapter 4 based on the framework used in the first edition of the Guide. In comparison with the former framework, six main modifications / adjustments were proposed:</p>			
<ol style="list-style-type: none"> <li>1. <b>The general meaning of sections:</b> Ideally, sections should provide an overview of key practices, experiences and issues for setting-up SPPI informed by national practice of lead author(s) as well as other TF member countries in order to <b>recognise the applicability and replicability of guidance across countries.</b></li> <li>2. Add a sub-section for “<b>Introductory remarks</b>”: It followed from discussions with TF members that a sub-section on “Introductory remarks” was not needed. However, the overview table (at the beginning of chapter 4) presenting lead author(s) and contribution(s) for each section should be updated and a <b>bibliographical sub-section should be added at the end of each section.</b></li> <li>3. Split the former sub-section on classification aspects into two sub-sections: one for “<b>classification aspects</b>”, the other for “<b>Scope of the survey</b>”: TF members recognized the usefulness of a new sub-section dedicated to the scope with specific details. They also stressed the importance of considering the <b>secondary activities</b> and adding a dedicated sub-section when appropriate.</li> <li>4. Take the material included in the sub-section on “<b>Cost and benefit of the alternative pricing methods</b>” and incorporate in a section on “<b>Pricing methods</b>”: The idea was to put together information on pricing methods in one section; it was previously divided into two sections “Main pricing methods” and “Cost and benefit of the alternative pricing methods”. In order to avoid repetition and to have more clarity in the description of pricing methods, the TF agreed to have only one sub-section dedicated to pricing methods.  The other topic of discussion was whether or not to classify the different pricing methods according to their suitability using the approach developed by the Voorburg Group or by the approach described in the Eurostat handbook on price and volume measures in NA. Some of the TF members expressed the view that some form of classification of pricing methods would be very useful. However, Thomas Jaegger as well as other TF members stressed that defining best practices is time consuming and that a kind of ranking – with pros and cons of each pricing method – might be more appropriate.</li> <li>5. Add a sub-section on “<b>Weighting and aggregation</b>”: The TF agreed to include a new section on “Weighting and aggregation”, noting also that the aggregation structure is a key point in setting-up an SPPI. The issue on the aggregation of the overall SPPI should, however, be discussed in the methodological chapters.</li> <li>6. Add in the sub-section “Overview of national methods” an <b>additional focus on specific experiences.</b> TF members agreed that this subsection should draw on the practical experience of the lead country as well as other TF member countries and could also focus on exceptional and/or negative experiences when appropriate.</li> </ol>			
<p>Additional topics were also discussed: the group agreed that the use of administrative data should be mentioned with pricing methods where it is relevant; the sub-section on “<b>Specific aspects</b>” would cover</p>			

relevant topics such as treatment of bundled services, impact of outsourcing, offshoring and future developments of the service industry.

The concluding discussion focused on the ordering of subsections. Several options were proposed without any final decision.

**Conclusions:**

Subject to the amendments mentioned above, TF members agreed on the proposed framework for sections of chapter 4.

Action items	Person responsible	Deadline
✓ Provide final guidance for drafting chapter 4 sections.	Secretariat	November 2011

**Agenda item: 4.1.1. Air Transport**

**Presenter:** Christian Stock (Statistics Austria) & Hina Kikegawa (Bank of Japan)

**Discussion:**

1. Christian Stock presented the general framework of the revised section on Air Transport with a focus on the classification structure, quality adjustment methods and country contributions.
2. Christian also proposed to incorporate *the revisited papers on adjusting for quality change in Air Transport* presented at VG 2010 & 2011 including detailed QA method descriptions and examples. This paper was the subject of discussions during the VG 2011. Although the conclusions of the paper were not unanimously accepted among VG participants, they were supported by most participants and will be left as is. As recommended by the Voorburg Group, a summary paper of the quality changes issues discussed at the VG meeting will be prepared (by André Loranger) and presented to the Ottawa Group or the Expert Group on the CPI for their recommendation in the Spring of 2012. Both these groups have more expertise in the area of quality adjustment than the Voorburg group. André Loranger also informed TF members that summary notes from the Voorburg sessions would be available later in the fall.
3. Hina Kikegawa proposed to incorporate an additional pricing method based on the Japanese experience, namely a Model pricing method.

**Conclusions:**

1. Subject to the position of VG on quality adjustment, TF members agreed on the proposals for revising the section on air transport. There was also some discussion about investigating whether the QA issue regarding consumer utility, etc. should also be covered in general sense in section 3 of the Guide;
2. Drafting of the section is under the responsibility of the lead author, Christian Puchter, in collaboration with the other main contributor (Hina Kikegawa).

Action items	Person responsible	Deadline
✓ Overview of national methods (Sweden, United-Kingdom, New Zealand, and the United-States) will be updated via e-mail.	Christian Puchter	

<b>Agenda item:</b> 4.1.2. Freight transport by road		<b>Presenter:</b> Christopher Jenkins (ONS) & Alain Gallais (INSEE)	
<b>Discussion:</b>			
<p>1. Christopher Jenkins presented the general framework for the revision of the section with a particular focus on classification issues, overview of national methods and some specific issues such as international transport, bundling services and combining activity and commodity dimensions;</p> <p>2. Alain Gallais proposed to incorporate the French experience on an aggregation system combining activity and commodity dimensions. He suggested considering this approach from the perspective of BtoB, BtoE, BtoAll;</p> <p>3. Ildiko Holocsy stressed the need to clarify the distinction between national/ international and domestic/export in the section.</p>			
<b>Conclusions:</b>			
<p>1. TF members agreed on the proposals for revising the section on Freight transport by road;</p> <p>2. Drafting of the section is under the responsibility of the lead author, Christopher Jenkins, in collaboration with the other main contributors (Alain Gallais and Marcel Spanjaard).</p>			
<b>Agenda item:</b> 4.1.3. Storage and Warehousing		<b>Presenter:</b> Michael Morgan, ABS & Anne-Sophie Fraisse, OECD	
<b>Discussion:</b>			
<p>1. Based on the Australian perspective on Warehousing and Storage, Michael Morgan proposed putting more emphasis on classification issues, bundled services and secondary activities, Industry vs. Product SPPI on W&amp;S, and Weighting schemes;</p> <p>2. Based on the sector paper on W&amp;S presented at the VG 2010, Anne-Sophie Fraisse outlined the general framework for the revision putting emphasis again on bundled services, secondary activities, and Industry vs. Product SPPI.</p>			
<b>Conclusions:</b>			
<p>1. TF members agreed on the proposals for revising the section on Storage and Warehousing;</p> <p>2. Drafting of the section is under the responsibility of the lead author, Michael Morgan.</p>			
<b>Action items</b>		<b>Person responsible</b>	<b>Deadline</b>
✓ A survey on W&S (conjointly with Cargo handling) will be conducted among TF members		Michael Morgan, ABS & Anne-Sophie Fraisse, OECD	November 2011
<b>Agenda item:</b> 4.1.4. Post and courier activities		<b>Presenter:</b> Ildiko Hamvaine Holocsy, HCSO	
<b>Discussion:</b>			
<p>The main issue for the revision of the section, as proposed by Ildiko Holocsy, focused on the liberalization (full or partial, depending on the country) of postal services which can blur the line between postal services, rendered under a universal service obligation, and the growing importance of courier services. Ildiko Holocsy also proposed putting more emphasis on the price determining characteristics, the use of CPI as proxies, the BtoB, BtoC and BtoAll approaches. Finally, she stressed the need to clarify the distinction between export and international services.</p>			

<b>Conclusions:</b>		
<p>1. TF members agreed on the proposals for revising the section on “Post and courier activities”.</p> <p>2. Drafting of the section is under the responsibility of the lead authors, Ildiko Holocsy and Denis Gac.</p>		
<b>Action items</b>	<b>Person responsible</b>	<b>Deadline</b>
✓ Country descriptions should be revised by corresponding countries (United Kingdom, The Netherlands, Canada, Sweden, and Spain).		
✓ New descriptions for France and Hungary could be added.		
<b>Agenda item:</b>	<b>4.2.1. Telecommunication</b>	<b>Presenter:</b> Christopher Jenkins, ONS & Hina Kikegawa, Bank of Japan
<b>Discussion:</b>		
<p>1. The main issues for revision presented by Hina Kikegawa and Christopher Jenkins, included material from the VG, focused on classification issues, an assessment on pricing methods as described in the 2006 SPPI guide and some other specific aspects, particularly the frequent reweighting, bundled products and the quality adjustment method;</p> <p>2. Hina Kikegawa also presented some other specific aspects based on the Japanese experience, mainly, in reference to the description of the sector, a market structure close to a natural monopoly market and the existence of network externalities. She also proposed incorporating a description of the model pricing method used in Japan and quality adjustments to network externalities.</p>		
<b>Conclusions:</b>		
<p>1. TF members agreed on the proposals for revising the section on “Telecommunication”;</p> <p>2. Drafting of the section is under the responsibility of the lead author, Christopher Jenkins in close collaboration with Alain Gallais, Ildiko Holocsy, Hina Kikegawa, and André Loranger. In addition, several countries will be contributing to the section on Overview of National Practices;</p> <p>3. Since the section on Telecommunication needs to be revised more extensively, a delay for the first draft, currently planned for the end of 2011, could be expected.</p>		
<b>Agenda item:</b>	<b>4.2.2. Computer programming, consultancy and related activities</b>	<b>Presenter:</b> Nadim Ahmad (OECD)
<b>Discussion:</b>		
<p>1. Nadim Ahmad presented the main issues for revision of “Computer programming, consultancy and related activities”, drawing mainly on material used in developing the <a href="#">OECD Handbook on deriving capital measures of IPPs</a>.</p> <p>2. As agreed at the first TF meeting, the section needs to be completely revised, based on the essential distinction between customized software and own-account software vs. other categories. Some specific aspects should also be tackled such as own account production and bundle packages in computer consultancy. Due to the lack of materials on country practices, the TF members were invited to provide information on their experience.</p> <p>3. Discussions mainly focused on the decision whether or not to include the own-account production in the scope of the SPPI.</p> <p>4. Ruth Vizner, supported by Ildiko Holocsy, added that special attention must be given to the treatment of outsourcing. Ildiko Holocsy suggested also adding a description on transfer prices.</p>		

<b>Conclusions:</b>			
<ol style="list-style-type: none"> <li>1. Nadim confirmed that own account production shouldn't be included in the scope of the SPPI;</li> <li>2. TF members agreed on the proposals for revising the section on "Computer programming";</li> <li>3. Drafting of the section is under the responsibility of the lead author, Ruth Vizner;</li> <li>4. Marcel Spanjaard volunteered to provide additional contribution on the Dutch experience to develop SPPI for computer programming;</li> <li>5. Since the section on computer programming needs to be revised more extensively, a delay for the first draft, currently planned for the end of 2011, could be expected.</li> </ol>			
<b>Agenda item:</b>	<b>4.3.1. Accounting, Bookkeeping and Auditing Activities; Tax Consultancy</b>	<b>Presenter:</b>	André Loranger, Statistics Canada
<b>Discussion:</b>	<p>The main issues for revision presented by André Loranger focused on the classification aspects and derivation from ISIC/CPC in NACE/CPA and NAICS/NAPCS, the pricing methods (in particular the actual price of repeated services/Contract pricing regarded as the best practice), the quality issues, and finally the collection issues including survey on initializing new respondents as discussed during the first TF meeting. The revision will also include material from the VG.</p>		
<b>Conclusions:</b>			
<ol style="list-style-type: none"> <li>1. TF members agreed on the proposals for revising the section on "Accounting, Bookkeeping and Auditing Activities; Tax Consultancy";</li> <li>2. Drafting of the section is under the responsibility of the lead author, André Loranger. He will send out email to the contributors to the current Guide, asking them to provide any relevant updates;</li> <li>3. Denis Gac/Alain Gallais, Christopher Jenkins and Ildiko Holocsy volunteered to provide additional contributions (in particular, Ildiko Holocsy mentioned subcontracting and transfer prices).</li> </ol>			
<b>Agenda item:</b>	<b>4.3.2. Architectural and Engineering activities</b>	<b>Presenter:</b>	Marcel Spanjaard, Statistics Netherlands
<b>Discussion:</b>	<ol style="list-style-type: none"> <li>1. Marcel Spanjaard suggested separating guidance into two sections: "Architectural activities" and "Engineering activities";</li> <li>2. The main issues for revision proposed by Marcel Spanjaard focused on the wide variety of different services offered in many sectors (especially for engineering services) and their uniqueness, the quality issues, the productivity measurement problems, and some other specific aspects such as subcontracting and government regulations;</li> <li>3. Ildiko Holocsy emphasised the close relationship of Architectural and engineering activities with construction. Denis Gac added also that treatment of turnkey projects that are often a part of construction sectors is a big issue for this sector.</li> <li>4. The revision will also include material from the VG.</li> </ol>		
<b>Conclusions:</b>			
<ol style="list-style-type: none"> <li>1. TF members agreed on the proposals for revising the section on Architectural and engineering activities to include two different sections, one for Architectural activities and the other for engineering activities;</li> <li>2. Drafting of the section is under the responsibility of the lead author, Marcel Spanjaard, in collaboration with the other contributor (Denis Gac).</li> </ol>			

<b>Agenda item:</b> 4.3.3. Advertising		<b>Presenter:</b> Dorothee Blang, Destatis	
<b>Discussion:</b>			
<p>1. Dorothee Blang proposed a general framework for the revision of the section on advertising. The first important aspect would be to harmonize the terminology used for advertising services especially regarding the market actors (advertising/creative agencies, media placement/representation agencies), the function of placement agencies (broker or reseller) and the different responsibilities of resellers (as wholesalers or portfolio managers);</p> <p>2. The revision should also provide additional information on the increasing importance of internet advertising, the deviation from ISIC/CPC in NACE/CPA and NAICS/NAPCS, the use of unit values as one of the main pricing methods for advertising space, and the quality issues;</p> <p>3. The majority opinion of the Voorburg group regarding the treatment of quality changes in the advertising industry (also Air transport) was that the recommendations of the paper should be adopted. That said, the Ottawa Group or the Expert Group on the CPI will be consulted on these issues. André Loranger will write a summary paper for the next meeting of either group in the Spring of 2012. The paper and recommendations should be considered for the SPPI Guide.</p>			
<b>Conclusions:</b>			
<p>1. Irrespective of general guidelines of VG on quality adjustment, TF members agreed on the proposals for revising section on “Advertising”;</p> <p>2. Drafting of the section is under the responsibility of the lead author, Dorothee Blang;</p> <p>3. Ildiko Holocsy volunteered to provide additional contribution;</p>			
<b>Action items</b>		<b>Person responsible</b>	<b>Deadline</b>
✓ Country descriptions should be revised by corresponding countries (United Kingdom, the United States, Spain, Japan, France, Czech Republic, and Germany)			
<b>Agenda item:</b> 4.3.4. Technical testing and analysis		<b>Presenter:</b> Ildiko Hamvaine Holocsy, HCSO	
<b>Discussion:</b>			
<p>1. The technical testing and analysis section as published in the first edition reflected the Finnish experience only. Ildiko Holocsy proposed to provide an overview of key practices, experiences and issues in setting up SPPI by incorporating materials from the VG (in particular from Germany, Netherlands, Norway and the US). Main additions proposed by Ildiko Holocsy concern secondary activities – technical inspection services of road transport vehicles, R&amp;D (which should be consistent with the R&amp;D section), – BtoC, BtoB, BtoAll approaches and the use of CPI as proxies, and additional pricing methods including unit value and contract pricing.</p> <p>2. Alain Gallais noticed that it would be useful to also consider BtoE indices.</p>			
<b>Conclusions:</b>			
<p>1. TF members agreed on the proposals for revising the section on “Technical testing and analysis”;</p> <p>2. Drafting of the section is under the responsibility of the lead author, Ildiko Holocsy.</p>			
<b>Action items</b>		<b>Person responsible</b>	<b>Deadline</b>
✓ Country descriptions should be updated via e-mail by corresponding countries (Finland, Germany, Hungary, Norway, Netherlands)		Ildiko Hamvaine Holocsy,	

<b>Agenda item: 4.4.1. Employment activities</b>		<b>Presenter:</b> Dorothee Blang, Destatis	
<b>Discussion:</b>			
<p>1. The ISIC 4 / NACE 2 classification system provides a more detailed breakdown than the former version. Dorothee Blang pointed out that both “description of the industry” and “classification aspects” need to be revised extensively with more detail on umbrella companies, intra group agencies and professional employers organizations. She also highlighted that many employment services are offered by enterprises from other service sectors (management consultancy, engineering services or IT-consultancy).</p> <p>Concerning the classification aspects, she emphasised that the deviation from ISIC/CPA in NAICS/NAPCS should be described and documented in more detail.</p> <p>2. The definition of the output of the industry is another issue often discussed both by the VG and the first TF. The first edition of the Guide put this discussion in the first methodological chapter. She suggested moving this paragraph to the section dedicated to employment activities.</p> <p>3. Under the assumption that the TF members consider the output of temporary employment agencies as provision of labour, Dorothee assumed that the subsection on QA didn’t need to be revised.</p>			
<b>Conclusions:</b>			
<p>1. TF members agreed that gross approach should be applied for “Temporary employment agency activities” and “Other human resources provision”, while “Activities of employment placement agencies” should be considered as part of a pure net approach;</p> <p>2. TF members agreed on the proposals for revising the section on employment activities;</p> <p>3. Drafting of the section is under the responsibility of the lead author, Dorothee Blang and Denis Gac/Alain Gallais.</p>			
<b>Action items</b>		<b>Person responsible</b>	<b>Deadline</b>
✓ Country descriptions should be updated via e-mail by corresponding countries (Australia, Denmark, France, Japan, the United States, and the United Kingdom)			
<b>Agenda item: 5. Introduction of new sections</b>		<b>Presenter:</b>	
<b>Discussion:</b>			
<p>The objective of the session was to discuss the introduction of the following new sections:</p> <p><b>1. Waste Management (Denis Gac, INSEE)</b></p> <p>Denis Gac presented the French experience on setting up SPPIs on “Waste collection and treatment” which covers Waste collection (381 ISIC 4) and Waste treatment and disposal (382 ISIC 4). Discussions focused mainly on the scope of the SPPI since France currently has no experience on Materials recovery (383 ISIC 4) and Sewerage (37 ISIC 4). In this, experience from the UK seemed to be interesting and complementary since their SPPI covered Sewerage and Recovery of sorted materials. The experience from Korea should also be a useful contribution.</p> <p>Another problem raised was the decision whether or not to include water collection, treatment and supply (36 ISIC 4) in the scope of the SPPI which is a part of the PPI (mandatorily) on short-term business indices in EU countries. Ildiko Holocsy supported its inclusion in the SPPI.</p> <p><b>2. Wholesale and retail trade (André Loranger, Statistics Canada)</b></p> <p>André Loranger presented the main issues for consideration on distributive trades based on Canadian experience. Discussion mainly focused on the treatment of negative margin prices and quality change issues. On quality change, and whether or not quality change adjustments should be made to the underlying good being traded as well as the service portion, the majority opinion of the Voorburg Group was that only the</p>			



service element should be adjusted. The VG however recognized the minority opinion that quality adjustment should extend to both the service and the goods sold. Notes from the VG 2011 sessions will be available in the fall for consultation. As well, an issues paper, summarizing the quality change issues raised in the Air Transport, Advertising and Distributive Trades discussions will be prepared and presented to the Ottawa group or the Expert Group on the CPI for recommendations in the spring of 2012. This paper and recommendations could be considered for reference as input to the SPPI Guide.

Andre noted that he will be looking to collaborate with the United States on this new section of the Guide regarding distributive trades. Michael Morgan noted that is also impending production of an Australian price index.

### **3. *Food and Accommodation***

Following the withdrawal of Sweden, no TF member was volunteered for drafting this new section.

### **4. *Rental and leasing activities (Alain Gallais, INSEE)***

Alain Gallais presented some results of the VG paper on *Measuring quality change in rental and leasing services* written conjointly with André Loranger in 2010, focusing mainly on the definition of the output and the consequences in terms of QA.

### **5. *Publishing of books, periodicals & other publishing activities (Denis Gac, INSEE)***

Denis Gac presented the French experience on “Publishing services of books (5811 ISIC 4), newspapers, journals and periodicals (5813 ISIC 4)”. Discussions focused mainly on the definition of the output (gross vs. net approach), the treatment of commissions and quality issues (particularly related to advertising).

### **6. *Software publishing (NAICS 511210 / 5820 ISIC 4) (David Friedman and Bonnie Murphy, BLS)***

### **7. *Internet Publishing and Broadcasting and Web Search Portals (NAICS 519130) (David Friedman and Bonnie Murphy, BLS)***

David Friedman presented information on *Internet Publishing and Broadcasting and Web Search Portals (NAICS 519130)*. He noted potential problems in relation to the concordance between NAICS and ISIC. NAICS 2007 distinguishes between traditional publishing activities (511XXX) and internet publishing (519130) while division 58 of ISIC 4 groups publishing of books, periodical and software together regardless of forms of publication.

Regarding Software publishing as defined in the class 5820 of ISIC 4 (allocated to *Software publishers (NAICS 511210)* and *Internet Publishing and Broadcasting and Web Search Portals (NAICS 519130)* which includes establishments that do not perform any traditional publishing and publish software over the internet exclusively. Bonnie Murphy offered to provide Denis Gac with materials from the US experience on both Software publishers and Internet software publishing. She suggested that a questionnaire should be sent out to TF members soliciting information and country experiences related to publishing; Ildiko Holocsy and Christopher Jenkins volunteered to provide additional contributions.

Because publishing over the internet is included in ISIC 581, the Group concluded that it would be more appropriate if the specific US experience was included in the section 581 of ISIC 4.

### **8. *Financial activities (David Friedman and Bonnie Murphy, BLS)***

David Friedman proposed that the section covers commercial and investment banking activities. Nadim Ahmad added that it was still premature to make recommendations on treatment of FISIM. He will send out the draft report to FISIM TF members by the end of October 2011 and to the SPPI TF once the draft had been approved by the FISIM TF. The US will collaborate with Japan to figure out how best to address Financial activities in the new version of the Guide.

### **9. *Insurance activities (David Friedman and Bonnie Murphy, BLS)***

David Friedman suggested that the materials from the VG 2011 on non-life insurance and the forthcoming

sector paper (VG 2012) could be considered as a useful input. He also proposed to cover life insurance in which the US has significant experience. Marcel Spanjaard and André Loranger volunteered to provide additional contributions.

**10. Health service industries (Bonnie Murphy, BLS)**

Bonnie Murphy presented the US approach on Health services price indexes. TF members agreed on the introduction of one new section on health service industries even if discussions focused on the decision on whether or not to include guidance on non-market services.

**11. Research and development (Ruth Vizner, CBS Israel)**

Ruth Vizner presented some issues for consideration for the new section on Research and Development: treatment of R&D outside the scientific R&D (72 ISIC 4) – Industry vs. product SPPI – treatment of own-account capital formation, public subsidiaries and also implementation of the 2008 SNA recommendations.

Nadim Ahmad mentioned that results of the Eurostat TF on R&D could also be useful.

David Friedman added that the US gained experience on R&D in the framework of the development by the BEA of the R&D Satellite account but that there has been no development of SPPI in this area beyond thinking about what questions would need to be addressed. This approach was presented at the 2010 VG. It is unlikely that BLS will pursue development of SPPI for R&D in the current budget environment.

**Conclusions:**

TF members agreed on the introduction of the 9 new sections:

1. Drafting of the section on *waste management* is under the responsibility of the lead author, Denis Gac, in collaboration with the other contributors Christopher Jenkins and Yeonsuk Park.
2. Drafting of the section on *Wholesale and retail trade* is under the responsibility of the lead author, André Loranger in collaboration with the other contributors, Bonnie Murphy and David Friedman. Ildiko Holocsy, José Luis Sánchez Alvarado and Michael Morgan volunteered to provide additional contributions;
3. The sector paper on *Food and Accommodation*, presented during the 2011 VG meeting, should be considered as a good starting point;
4. Drafting of the section on *Rental and leasing* is under the responsibility of the lead author, Alain Gallais, in collaboration with André Loranger;
5. TF members agreed on the introduction of a new section on “Publishing activities”, including:
  - *Publishing of books & periodicals*: drafting is under the responsibility of the lead author, Denis Gac;
  - *Software publishing*: based on materials from the US experience on Software publishers, additional contributions from Ildiko Holocsy, Christopher Jenkins and results of a survey conducted among TF members;
6. Drafting of the section on *Financial activities* is under the responsibility of the lead authors, David Friedman and Hina Kikegawa;
7. Drafting of the section on *Insurance activities* is under the responsibility of the lead author, David Friedman in collaboration with the other contributors, Marcel Spanjaard and André Loranger;
8. Drafting of the section on *Health service industries* is under the responsibility of the lead author, Bonnie Murphy;
9. Drafting of the section on *Research and development* is under the responsibility of the lead author, Ruth Vizner. Ildiko Holocsy volunteered to provide additional contribution.

<b>Agenda item: 6. Organisation of future work</b>		<b>Presenter:</b> Anne-Sophie Fraisse, OECD
<b>Discussion:</b>	<p>Anne-Sophie Fraisse presented the organisation of future work:</p> <ol style="list-style-type: none"> <li>1. The first draft of the 19 revised sections is planned for the end of the year 2011 following by an electronic discussion from January to March 2012. The final draft is planned for April 2012 (third meeting).</li> <li>2. The first draft of the 9 new sections is planned for April 2012 and the final draft for September 2012.</li> <li>3. The first draft of the three methodological chapters is planned for April 2012 and the final draft for September 2012.</li> </ol>	
<b>Conclusions:</b>	<ol style="list-style-type: none"> <li>1. TF members agreed that dates for the revised sections are realistic. However, two things were added: <ul style="list-style-type: none"> <li>• The summary papers of VG 2011 sessions, especially on quality adjustment for advertising and air transport which could be considered for reference as input to the SPPI Guide will be available by the end of the year 2011;</li> <li>• Some sections need to be revised more extensively such as “Telecommunications” and “Computer programming”. A delay for these sections is therefore expected.</li> </ul> </li> <li>2. TF members agreed on the dates for the new sections. However, David Friedman expressed a preference for a delay to November 2012 and Nadim Ahmad noted that this was a possibility that could be reviewed in the April meeting. Moreover, <ul style="list-style-type: none"> <li>• The position of the VG is not yet finalized on the issue on quality adjustment for “Distributive trade”. The remark is the same as for “Advertising” and “Air transport”;</li> <li>• For “Financial activities”, it is still premature to make recommendations on treatment of FISIM.</li> </ul> </li> </ol>	
<b>Action items</b>	<b>Person responsible</b>	<b>Deadline</b>
✓ Nadim will send out the draft report on FISIM to TF members	Nadim Ahmad	End of November 2011
<b>Agenda item: 7. Conclusions of the meeting, date of the next meeting and other business</b>		<b>Presenter:</b> Nadim Ahmad, OECD
<b>Conclusions:</b>	<p>TF members agreed to organize the third meeting in Paris on 26-27 April 2012 at the OECD Headquarters. The three main objectives of the meeting will be as follows:</p> <ol style="list-style-type: none"> <li>1. Discuss final draft of the 19 revised sections if needed (An electronic discussion from January 2012 to March 2012 is expected to finalize the first draft before the third meeting);</li> <li>2. Discuss first draft of the 9 new sections prepared by TF members;</li> <li>3. Discuss first draft of the methodological chapters (chapters 1, 2 &amp; 3) prepared conjointly by the OECD and Eurostat.</li> </ol>	