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Report of the Voorburg Group on Service Statistics

Note by the Secretary-General

In accordance with Economic and Social Council decision 2014/219, the Secretary-General has the honour to transmit the report of the Voorburg Group on Service Statistics. The report presents the progress of the Group since its previous report to the Statistical Commission in 2013. The Voorburg Group has applied a content development framework to develop best practices in the collection of output and price statistics for 105 service industries defined by the *International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4*. This number represents an increase of about 30 industries since the previous progress report. It should be noted, however, that some industries have information only for output statistics, owing to lack of country coverage for producer prices in those industries. The work product and tangible outputs are presented on the Group's website (www.voorburggroup.org). The report includes an overview of the Group's progress since its twenty-seventh meeting in 2012, including its work on best practices in several new industries covered in recent years and its continuing discussion of several issues that cut across industries, including quality adjustment practices for service producer price indices. While the Group recently affirmed its mandate, the report also addresses the fact that the Group is considering some changes to the content development framework to better serve its needs in fulfilling its mandate. The Commission is invited to take note of the report.

* E/CN.3/2015/1.



Report of the Voorburg Group on Service Statistics

I. Introduction

1. In the late 1980s, the Voorburg Group on Service Statistics was established in response to a request from the Statistical Commission for assistance in developing service statistics. The first meeting, hosted by the Netherlands Statistical Office, was held in January 1987 in Voorburg, the Netherlands, from which the Group derives its name.

2. The Voorburg Group was not created to be simply another forum for the exchange of information. Instead, it was to be a group of countries interested in and capable of carrying out developmental work between and during meetings, following well-established rules and a clear timetable. In fact, the purpose of the Group was to address issues related to the production of service statistics, including service product outputs and inputs, the estimation of the real product of service activities and price indices of service products and industries, as well as their implications for product and industry classification (Central Product Classification (CPC) and International Standard Industrial Classification of All Economic Activities (ISIC)).

3. Over the years, the Group was successful in developing product and industrial classification and model surveys, and discussing a wide range of topics, such as the information society, short-term indicators and international trade in services, to name only a few. In 2005, in response to concerns about the Group's broad agenda and wide participation, the Voorburg Bureau reviewed the focus and modalities of the Group and prepared a strategic vision paper¹ describing the mandate, role and workplan for the future of the Group. The vision paper was presented at the thirty-sixth session of the Statistical Commission, held in March 2005, at which the mandate of the Voorburg Group was renewed, with a particular emphasis on the development of service producer price indices (SPPIs).

4. The present report provides an update on the progress of the Group in addressing best practices in service industry output statistics, service industry price statistics and service industry and product classifications. It also presents the tangible output of the Voorburg Group under the content development framework, adopted by the Group in 2006, and addresses potential changes in Group operations for the future.

II. Progress since 2012

5. During the thirty-sixth session of the Statistical Commission, the Voorburg Group presented an updated strategic vision to guide future work that focused on the proper identification and definition of service industries, products and measures of turnover, combined with a coordinated effort to develop producer price indices for use as deflators to improve the measurement of service components of the gross domestic product (GDP) at constant prices. Consequently, the Group focused its work on classification issues; output measures; and price indices.

¹ Louis Marc Ducharme, "Strategic Vision of the Voorburg Group on Services Statistics for 2005-2008", background document to the Statistical Commission at its thirty-sixth session.

6. In 2006, the Voorburg Group adopted a content development framework to ensure that its work was focused on the strategic vision and would be presented by a set of tangible outputs that would provide information to the larger official statistics community.

7. The Voorburg Group applied the new process to areas for which interest was increasing owing to economic developments internationally, including outsourcing and manufacturing services; financial intermediation services; research and development services; waste management and remediation services; and wholesale and retail trade services.

8. Each of those topics has been addressed using the two-year cycle of mini-presentations of national experiences summarized into a sector presentation that details best practices. In addition to those topics, the Voorburg Group has continued to review areas of interest and need. A summary of activities by year since the previous progress report is set out below.

(a) **2013, Tokyo:**

(i) Mini-presentations on turnover and SPPI (programming and broadcasting activities; software publishing activities; other publishing activities; postal activities; and warehousing and support activities (updated presentations));

(ii) Sector papers (commercial and industrial machinery repair and maintenance services; consumer and household goods repair and maintenance services; arts, entertainment and recreation services; and water treatment and distribution services);

(iii) Cross-cutting topics (linking service turnover, output and prices to the national macroeconomic framework (includes revisiting papers written in 2007-2008); quality change and quality adjustments for service producer price indices (report on consultations with the Ottawa Group); presentation on the consumer utility approach; ISIC and CPC (Voorburg Group contributions in preparation for the next ISIC revision); country presentations on improvements and efficiencies of interest to Group membership, including data extraction, selective editing and automated correction of microdata; online reporting in China; online respondent portal in Mexico; work in the United States on adding services and construction to primary aggregate indices; and new processing software for data editing);

(iv) Other (update on the work of revision of the Eurostat-Organization for Economic Cooperation and Development (OECD) Methodological Guide for Developing Services Price Indices (an element of the formal ties between the Voorburg Group and OECD, first established at the 2011 meeting in Newport, Wales);

(b) **2014, Dublin:**

(i) Mini-presentations on turnover and SPPI (call centres; human health activities (ISIC 8610, 8620 and 8690); leasing intellectual property and similar products; specialized design activities; and travel agency activities);

(ii) Sector papers (programming and broadcasting activities; software publishing activities; other publishing activities; postal activities; and warehousing and support activities (updated));

(iii) Cross-cutting topics (use of a Consumer Price Index (CPI) in a Producer Price Index (PPI) context (CPI as proxy); institutional sectoring (turnover and prices for various sectors (business-to-business, business-to-everyone, etc.); OECD work on productivity in services; electronic data collection experiences; maintaining representative turnover and SPPI (restratification, resampling, rebasing and updating weights); panel on quality adjustment in a fixed-input output price index (discussion of input from leading experts and country applications (the panel was the last in a series of sessions)).

9. The Voorburg Group has developed a considerable library of national experience in the development of turnover and price statistics for service industries since the institution of the content development framework. Overall, the Group has addressed 105 service industries as defined by revision 4 of ISIC, representing an addition of 30 industries since the last progress report. A full list of industries is included in annex I. Please note that in recent years, for some of the industries, only turnover statistics were studied owing to a lack of coverage for price statistics. The Group maintains a website on which all its sector papers and related materials are stored for reference by interested parties (www4.statcan.ca/english/voorburg). The content development framework has provided the Group with a coherent framework for the assignment of work and a consistent format across all service industries (see annex II). Nevertheless, questions were raised at the most recent meeting about whether the framework should be revised as the point is reached at which the Group has addressed most industries at least once. More information is available on that issue in section III, below. The addition of cross-cutting topics constrained by the development of prices, turnover and classifications for services has provided an additional opportunity to improve those programmes and learn from the experiences of other countries. The addition of those topics also allows the Group to discuss issues that apply to more than one industry and/or service sector; an example is the series of sessions on quality adjustment held during the past few meetings.

III. Future agenda

10. The tentative agenda for the thirtieth meeting of the Voorburg Group includes mini-presentations for veterinary activities; other reservation service and related activities; combined office administrative service activities; photocopying, document preparation and other specialized office support activities; and organization of convention and trade shows. The Group will also review sector papers for call centres; specialized design activities; and travel agency activities. The Group will review and discuss a follow-up issue paper focusing on questions raised at the twenty-ninth meeting regarding the handling of intellectual property. It is hoped that that discussion will lay the groundwork for a future sector paper. The Group will also continue to study such cross-cutting topics as how best to approach services that cross industries (the so-called bundling of services). Finally, as mentioned in paragraph 9, the Group is considering whether to change the content development framework to better meet the Group's needs as it moves forward. Members of the Group's leadership bureau will prepare an options paper for discussion at the thirtieth meeting, which may result in recommendations for future consideration by the Statistical Commission.

11. The Voorburg Group provided a set of recommendations to the Statistics Division of the Department of Economic and Social Affairs of the United Nations

for the upcoming revision of ISIC; the Group's secretary, John Murphy, shared the recommendations with the Expert Group. The Voorburg Group is a unique resource for advice on the content and structure of standard classifications because of its members' hands-on experience. The Group's workplan revisits and updates past work to incorporate market changes and developments.

Annex I

Industries covered by the Voorburg Group on Service Statistics, 2006-2014

<i>ISIC code</i>	<i>Industry title</i>
3312	Repair of machinery
3313	Repair of electronic and optical equipment
3314	Repair of electrical equipment
3315	Repair of transport equipment (except motor vehicles)
3319	Repair of other equipment
3600	Water collection, treatment, and supply
3700	Sewerage
3811	Collection of non-hazardous waste
3812	Collection of hazardous waste
3821	Treatment and disposal of non-hazardous waste
3822	Treatment and disposal of hazardous waste
3830	Materials recovery
3900	Remediation activities and other waste management services
4520	Maintenance and repair of motor vehicles
462-469	Wholesale trade
4911	Passenger rail transport, interurban
4912	Freight rail transport
4923	Freight transport by road
5011	Sea and coastal passenger water transport
5012	Sea and coastal freight water transport
5021	Inland passenger water transport
5022	Inland freight water transport
5110	Passenger air transport
5120	Freight air transport
5210	Warehousing and storage
5221	Service activities incidental to land transportation

<i>ISIC code</i>	<i>Industry title</i>
5222	Service activities incidental to water transportation
5223	Service activities incidental to air transportation
5224	Cargo handling
5229	Other transportation support activities
5310	Postal activities
5320	Courier activities
5510	Short term accommodation activities
5520	Camping grounds, recreational vehicle parks and trailer parks
5590	Other accommodation
5610	Restaurants and mobile food service activities
5621	Event catering
5629	Other food service activities
5630	Beverage serving activities
5811	Book publishing
5812	Publishing of directories and mailing lists
5813	Publishing of newspapers, journals and periodicals
5819	Other publishing activities
5820	Software publishing
6010	Radio broadcasting
6020	Television programming and broadcasting activities
6110	Wired telecommunications activities
6120	Wireless telecommunication activities
6130	Satellite telecommunications activities
6190	Other telecommunications activities
6201	Computer programming activities
6202	Computer consultancy and computer facilities management services
6209	Other information technology and computer service activities
6311	Data processing, hosting and related activities
6312	Web portals

<i>ISIC code</i>	<i>Industry title</i>
6411	Central banking
6419	Other monetary intermediation
6492	Other credit granting
6512	Non-life insurance
6520	Reinsurance
6810	Real estate activities with own or leased property
6820	Real estate activities on a fee or contract basis
6910	Legal activities
6920	Accounting, bookkeeping and auditing activities; tax consultancy
7020	Management consultancy activities
7110	Architecture and engineering activities and related technical consultancy
7120	Technical testing and analysis
7210	Research and experimental development on natural sciences and engineering
7220	Research and experimental development on social sciences and humanities
7310	Advertising
7320	Market research and public opinion polling
7410	Specialized design services
7710	Renting and leasing of motor vehicles
7721	Renting and leasing of recreational and sports goods
7722	Renting of video tapes and disks
7729	Renting and leasing of other personal and household goods
7730	Renting and leasing of other machinery, equipment and tangible goods
7740	Leasing of intellectual property and similar products, except copyrighted works
7810	Activities of employment placement agencies
7820	Temporary employment agency activities
7830	Other human resource provision
7911	Travel agency activities
8010	Private security activities

<i>ISIC code</i>	<i>Industry title</i>
8020	Security systems service activities
8030	Investigation activities
8110	Combined facilities support activities
8121	General cleaning of buildings
8129	Other building and industrial cleaning activities
8130	Landscape care and maintenance service activities
8220	Activities of call centres
8610	Hospital activities
8620	Medical and dental practice activities
8690	Other human health activities
9000	Creative, arts and entertainment activities
9101	Library and archives activities
9102	Museums activities and operation of historical sites and buildings
9103	Botanical and zoological gardens and nature reserves activities
9311	Operation of sports facilities
9312	Activities of sports clubs
9319	Other sports activities
9521	Repair of consumer electronics
9522	Repair of household appliances and home and garden equipment
9523	Repair of footwear and leather goods
9524	Repair of furniture and home furnishings
9529	Repair of other personal and household goods

Annex II

Voorburg Group on Service Statistics: content development framework for service sector statistics

The task force of the Voorburg Group on Service Statistics recommends the following five elements for a service sector statistics content development framework for producing nominal turnover and output data and pricing statistics, with links to classifications and national accounts, for member countries. The proposal focuses on producer price indices (PPI) and turnover/output statistics, with PPI playing a major role, but one that is equal to that of turnover/output data. The present content development framework will lead to the development of a set of guidelines, to be included in a series of sector papers covering individual service industries as follows:

Element I. Agreement on: (a) pricing method terminologies (or equivalent terminologies in the manner of a thesaurus); and (b) turnover/output method terminologies for use in the mini-presentations and sector papers (the service producer price indices (SPPI) thesaurus completed in March 2006 includes suggested common terminologies for prices; a similar thesaurus is not a requirement for turnover/output work at this time).

Element II. Development of mini-presentations (in year one) detailing current practices for (a) turnover/output data collection (including prescribed levels for industry products); and (b) price data collection and methods^{a,b} (where relevant, both types of mini-presentations include sections on implications for classifications and national accounts).

Element III. Presentation and discussion on the mini-presentations and discussant remarks, leading to a set of key guidelines based on differences in country market constraints under element II (the Voorburg Group discussion focuses on the quality assessment of different conceptual choices, e.g., real-world characteristics and market constraints and the cost effectiveness of using particular PPI and turnover/output methodologies and how they can best meet the needs of the national accounts).

Element IV. Development, presentation, discussion and adoption of sector papers (in year two) containing Voorburg Group guidelines for the development of service industry statistics (including guidelines for turnover/output data, pricing methods and quality adjustment methods), accompanied by prescribed changes for standard classifications or national accounts, as necessary.

Element V. Periodic review to validate or revise the guidelines, as necessary.

^a Scope includes but is not limited to the current production boundary of the *System of National Accounts, 2008*. Detail includes reasonable breakouts for intermediate vs. final demand categories, different price trends and other issues.

^b Producer Price Index (PPI) methodologies and valuations include market output/transaction price, constant quality, current production, shipment price and the use of the appropriate price change measure for the time period.

Proposed production process

The present content development framework presents a production process for developing a series of sector papers that, when completed, will present a set of methodological guidelines for developing measures of the constant dollar outputs of service industries. It provides a structured approach for assessing the quality of conceptual choices related to pricing and turnover/output data levels in undertaking content development and improvement efforts. Within this framework, PPI play a major role, but one that is equal to that of turnover/outputs. The process provides feedback to classifications and national accounts where necessary. For subject industries/industry groups that have had little development, the process allows for the conceptual development of content using the vast pool of knowledge and experience available within the Voorburg Group. For industries for which there is extensive experience, current practices, experiences and data results will form more quantitatively supported guidelines. In all cases, collaborative work among turnover/output and price specialists (with commentary from selected classification experts and national accountants) will result in improved service data to be used in the production of real GDP.

As countries prepare mini-presentations on turnover/output and/or PPI for an assigned industry/industry group, they need to review their particular practices with respect to PPI and turnover/output data. After the mini-presentations have been delivered, group discussions of PPI and turnover/output data will occur at the same time for the same industry/industry group and will cover why particular pricing or turnover/output methods were selected. Ultimately, the Voorburg Group's discussions will focus on what the optimal methods should be, given the conditions under which countries must measure prices and turnover/output. Based on what the country is actually doing, gaps will be identified between the optimal and the actual. Those gaps will then constitute a tailored list of opportunities for improvement for that country, with respect to its pricing and turnover/output methods.

Since 2006, more structure has been provided to the sessions in order to better identify the various practices. Along with the expansion of the discussant role and the introduction of formal group discussion, the role of the session chair has been expanded under the framework. The session chair for the mini-presentations needs to ensure that papers are prepared well in advance of the Voorburg Group meeting in order to allow discussants adequate time to develop consolidated presentations on turnover/output, PPI and how best to meet the needs of the national accounts. The session chair is also responsible for facilitating formal group discussions covering the mini-presentations and discussants' remarks, including a comparison/contrast of the real-world characteristics and market constraints of the various countries and their impact on the choice of PPI and turnover/output methods. Furthermore, the session chair is responsible for facilitating the discussion on developing key guidelines for inclusion in the sector paper in the subsequent year. Finally, the session chair is responsible for the development of a session report covering the major points and action items as an outcome of the session.

In summary, the present content development framework requires much greater involvement in the work of the Voorburg Group throughout the year and should encourage informed and productive discussion sessions combined with the presentations (as described in element III). The content development framework process ensures that a set of key guidelines results from each mini-presentation

session, from the element III discussions of the mini-presentations and discussants' remarks. The key guidelines, which are influenced by the market constraints under which the various countries operate, are included in the sector papers prepared in the following year.

The key guidelines from the mini-presentations form the basis for the development of the sector papers, in the following year, covered by element IV. A country is assigned to prepare a sector paper that synthesizes key guidelines developed from the mini-presentations on turnover/output and prices.

The body of the sector paper consists of a detailed discussion of the predominant models identified in the mini-presentations and how that led to the key guidelines. The sector paper is presented, discussed, edited and adopted by the entire Voorburg Group at its meeting the following year. The sector papers constitute concrete final deliverables to the Statistical Commission from the Group for each industry or industry group. They reflect the real-world complications encountered by the various countries and provide possible options for how best to deal with those complications from a methodological standpoint. Ultimately, the various sets of guideline for particular economic contexts contained in the sector papers will provide a valuable resource for use by countries as they consider adopting various recommended strategies for content development. Thus, countries will be better informed when it comes to formulating wise resource investment decisions in the development of their service sector statistical programmes (for example, they are advised not to expend resources on certain methods that might not be worthwhile).
