

REPORT OF THE CPC SUB-GROUP OF THE VOORBURG GROUP.

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Session 2**

Shaila Nijhowne (Chairman)

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Meetings

After its meeting in Denmark from September 11-13, 1997, the Sub-Group met in New York from December 4-6, 1997 and in Vienna from April 20-22, 1998. The next meeting will be held in New York from November 5-7, 1998

Members:

Shaila Nijhowne (Chairman), Carole Ambler, Michel Beekman, Michel Boeda, Emile Bruneau, Albert Jacques, Mark Pollard, Niels Langkjaer, Norbert Rainer, Lyn Blair
Mary Chamie (UNSD).

Accomplishments

CPC version 1, as developed by the Sub-Group, was presented to and accepted by the UN Statistical Commission at its meeting in February 1997. Till the end of 1997, the Sub-Group assisted UNSD with refining and finalising the explanatory notes of the classification and the concordance between the Provisional CPC and CPC v 1, for publication.

After its acceptance by the Statistical Commission, WTO started to examine the suitability of CPC version 1 as a basis for the new round of GATS negotiations due to start in 2000. It had used the Provisional CPC as a starting point for many of the agreements of the Uruguay round. The Secretariat of WTO subjected the classification and the relationship between the Provisional CPC and CPC v 1 to close scrutiny and posed a large number of questions that were addressed and resolved by the Sub-Group. At the request of the Canadian delegation, a meeting of the Committee on Specific Commitments of the WTO held in Geneva in October 1997, invited UNSD and the Chairman of the Sub-Group of the Voorburg Group to explain the relationship between the two classifications. A technical note to UNSD's Statement to the WTO Committee on Specific Commitments was provided by Chairman of the Sub-Group.
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The Sub-Group and Statistics Canada also assisted UNSD, by undertaking the preliminary work to provide the Inter-Agency Task Force on Statistics of International Trade in Services with a concordance showing the relationship between CPC v 1 and the categories of the Balance of Payments and the extended list of the BOP. This formed the basis for the concordance that will be finalised by the IMF for the Manual on Statistics of International Trade in Services that is being produced by the Inter-Agency Task Force.

Work in Progress

At the request of UNSD, the Sub-Group considered matters relating to the CPC and other goods classifications presently in use in the United Nations and its Agencies and discussed issues relating to their harmonization, an activity that has been undertaken by UNSD. As it is a list used to collect the total quantity of product outputs, it recommended that the new Harmonized system/ Prod Com based, UN List of Materials and Products use a coding system linked to, the CPC rather than ISIC.

The Sub-Group started the work of producing a detailed description of the classes that are split in the concordance between the Provisional CPC and CPC v 1. This will be finalised at the next meeting to be held in November 1998

At its meetings the Sub-Group has reviewed a proposed list of products of the publishing industry that could be regarded as falling between goods and services. It has also considered a number of issues raised by UNSD relating to the handling of Assets and Intangible assets in the CPC. The need to re-examine and improve the classification of intangible assets in the CPC was recognised as also the need to explain the relationship between the CPC and its use in the SNA and the Balance of Payments. The usefulness of defining certain terms as used in the context of the CPC such as products, goods, services, tangible and intangible and produced and non-produced assets was acknowledged.

The issue of the conceptual basis of the aggregation structure of the CPC was discussed at the last meeting. Whether the aggregation structure should group products by industry of origin, demand or function was discussed. A number of members of the Sub-Group expressed an interest in developing a demand based aggregation for the CPC, as an industry of origin based aggregation can be created, simply by regrouping products by the principal ISIC industry of origin indicated in the publication. The constraints on regrouping lowest level units that have been created on different criteria such as those of the Harmonized System were recognised. It was also recognised that many issues relating to operationalising the principle of grouping substitutes and products by demand criteria such as markets served, need to be further examined. The possibility of creating suitable “building blocks” of products that can be aggregated using different criteria, will be examined by the Sub-Group at its November 1998 meeting.

Future Developments and Issues

The issue of the need for coordinated updating and revision of CPC, ISIC and related regional and multinational classifications such as NACE and CPA as outlined by EUROSTAT was brought before the Sub-Group and discussed. The Sub-Group agreed to recommend that revisions to the goods part of the CPC be coordinated with revisions to the Harmonized System. If the proposal of EUROSTAT were accepted, as the next revision to the Harmonized System will be in 2002, to have enough lead time for implementation, a decision with respect to the extent and scope of revisions to both the goods and services parts of the CPC would need to be taken and work started immediately, to be completed by the year 2000, for presentation to UNSD and the meeting of UN Statistical Commission in 2001.

As far as revisions to the CPC are concerned :

- There is the question of the two areas of the CPC that remain underdeveloped, telecommunications and finance, and whether enough experience has been accumulated by users and analysts for the CPC to be developed further in these areas.
- There is a need to address the issue of information products and intangible assets and their classification in the CPC
- There is a need to decide the extent of change considered acceptable for 2002 and whether changes both to the detail and to the higher level structure can be considered.
- In the light of the decision, changes proposed by users of the CPC and related classifications such as the CPA, and changes that improve the links between the CPC and classifications of international trade in services would need to be considered.
- Finally it would be useful to provide an explanation of the use of certain of the terms used in the context of the CPC, and to explain how the scope of the CPC relates to the SNA and the Balance of Payments, the need for which has been identified.