VOORBURG
GROUP

16th Voorburg Group Meeting on Services Statistics

Minutes

17 – 21 September 2001

Örebro
Sweden

Session 1: Statistics on the Information Society

Chair: Lea Parjo

The session was divided into four parts:

- measurement issues
- methodological issues
- classification and definition issues and
- content sector problematics.

Presented papers:

1. Model survey: Measurement of ICT usage in enterprises
   Peter Bøegh Nielsen, Statistics Denmark
2. Measurement of information technology use by households and individuals. Revised proposal for a model questionnaire
   Sheridan Roberts, Australian Bureau of Statistics
3. ICT Household Survey. The French project
   Patrice Roussel, INSEE
4. Eurostat Information Society surveys planned for 2002
   Richard Deiss, Eurostat
5. IT indicators in Japan. The Reform of Corporation Management as a result of the introduction of IT. Survey on ICT workplaces
   Hiroyuki Kitada, Ministry of Public Management, Home Affairs, Posts and Telecommunications
6. Use of ICT in the public sector
   Martin Lundoe, Statistics Denmark
7. The dilemma of quantifying IT expenditures in organisations
   Anders Hintze, Statistics Sweden
8. Reviewing the ICT sector definition: issues for discussion
   Alessandra Colecchia, OECD
9. Some Grass Roots Concepts to describe and measure Information Economy
   Marc Aufrant, Direction du Développement des Medias
10. Industry Classification Revision and the Content Sector
    Jean-Marie Nivlet, Direction du Développement des Medias

Summary

The final version of the model questionnaire on the usage of ICT and the Internet with a special focus on electronic commerce in enterprises was briefly presented by

Mr Boeegh Nielsen. The model questionnaire has been discussed and revised during previous Voorburg Group meetings and OECD/WPIIS meetings. The current version is considered to be the final one, though new modules and updating is necessary in the near future. The rapid technological development, the pervasive nature of ICT in general and the demand for rapid statistics have raised new challenges to statistical institutes. Frequent updating of survey tools is also needed. The model questionnaire is based on flexible modules, where country specific issues are possible to be added. The five modules cover the key areas of user interest:

- General information about ICT systems,
- Use of the Internet,
- Electronic commerce via Internet,
- Electronic commerce via other computer-mediated networks and
- Barriers on use of e-commerce, Internet and ICT in general.

The basic design uses tick boxes and concentrates on qualitative data. The model questionnaire may be used when implementing new surveys or when adding new items to already existing surveys. Future steps for developing the model questionnaire will be related to focus on E-business processes and impacts of ICT on the enterprise level.

The final version of the model questionnaire was considered to satisfy the user needs of today. Countries which had used the model questionnaire reported of difficulties with questions related to Internet/EDI sales. It was asked if EDI really should be included as it represents 'old technology', not very relevant to new economy. It was also asked if some modules could be asked only every second or third year, but e.g. Eurostat stressed the need for fresh information. A possible module on knowledge and training was discussed. When measuring the impacts of ICT on productivity it is considered crucial. It was discussed if other survey tools, targeted to survey knowledge and training and their impact on business processes would be necessary. IT managers probably find these issues out of their responsibilities. UK and NZ raised the question on the definition 'total value – commission' when reporting Internet sales. Should a travel agency report their commission based on Internet sales or the total value of Internet sales and how the percentage of total turnover fits in this case. The question was regarded very important, but no answers were obtained.

The revised model questionnaire for household and individual use of IT (provided by Ms Roberts/ABS) was presented by Ms Alessandra Colecchia. The paper raised questions concerning the unit (household or individual), the recall period, classification variables and comparison of barriers. Some countries prefer the main reason/ the main barrier others would like to ask more detailed classes. As a supplement to information about Internet purchases, Denmark considered important to ask for what purposes the Internet is used in case of window-shopping, even if the final purchase is made elsewhere. Austria welcomed the model as issues related to use of IT in households are global, not European or American only, to ask questions on both private and professional use of IT was also considered relevant. Austria and China/Hong Kong asked a module targeted to IT skills and training. It was discussed if children under 15 as heavy users of IT should be included in the survey. It remains on the institute if this would be possible at least in other existing surveys or specially surveys targeted to children. The model should be considered as a conceptual model and modules may be used in other context as well. All written comments should be sent to Ms Colecchia/ Ms Roberts. The revised model questionnaire will be on the agenda of the WPIIS meeting in 2002.

Mr Patrice Roussel presented the paper **ICT household survey, The French project.** INSEE will launch a survey in October 2001 as giving more indicators to the ones acquired from the permanent survey of household living standards. The questionnaire is divided into 10 sections (equipment, skills, private and professional use, etc.) It is considered that significant or real changes in the society are not very rapid in nature and the survey will not be on an annual basis. The results will also tell about changes in behaviour among French households.

Mr Richard Deiss told about two **Eurostat pilot survey activities** to be launched in 2002. The results from the enterprise survey on ICT usage and the household/individual pilot survey are expected to be ready by Autumn 2002. The questionnaires will be discussed during the Eurostat WG Information Society meeting before finalising. Some concern was expressed towards the purchase module in the enterprise survey. According to French experience no account system is available in enterprises and the concepts for certain questions are missing. The same was reported from Nordic countries as well. However, the Commission needs fresh figures for eEurope 2002 –program including The Internet in purchases. France also expressed the concern of definitions related to e-commerce and the coming NACE revision in 2007.

The Japanese experiences on measuring ICT were reported by Mr Hiroyuki Kitada. The survey on ICT workplaces was launched to highlight the impact of ICT on business sector. The survey uses quantitative approach to measure the links between productivity and ICT use as well as IT investments. The sample consisted of altogether 5000 enterprises and in spite of the quantity of questions and their nature the response rate was high. The Cabinet Office launched a survey in January 2001 with questions about the estimation of economic growth rate, investments, employment and with the aim to analyse the reform of company management as the result of the flux of information technology.

The third pillar in measuring the use of ICT in society, **the use of ICT in the public sector** was introduced by Mr Martin Lundoe based on a Danish questionnaire to Danish municipalities. The ongoing survey will follow the experiences from the enterprise model survey and the household model survey questionnaires. UK and Eurostat found the questionnaire very good and worth testing in other countries. China pointed out that also users of public services should be asked about their satisfaction. Eurostat pointed out that a web-survey on the availability of public services will be ready by the end of 2001. The survey will cover EU-countries plus Norway and Switzerland. The possible common Nordic project will further elaborate the survey questionnaire and methodology during 2002.

Mr Anders Hintze presented the Swedish discussion paper on **the dilemma of quantifying IT expenditures in organisations**. The Swedish experiences have been up till now rather poor due to low response rate or the low item non-response rate. During the discussion Eurostat stressed the need for such data both to be used as structural indicators (now provided by EITO) and in the growth accounting. OECD already has data sets but comparing the figures is difficult: e.g. some countries include communications some only IT. The common OECD and Eurostat initiative to measure software expenditure for national accounts is an encouraging example of co-operation, however. Sweden accepted the proposal that all comments related to measurement of IT expenditure are welcome to Anders Hintze/ Statistics Sweden, who will further work with the issue.

As agreed in the meeting of the OECD Working Party on Indicators for the Information Society (WPIIS) in April 2001 the issues of the household usage of ICT and the need for a revision of **the ICT sector definition** were given to the Voorburg group for further evaluation and a contribution for the next WPIIS meeting 2002. The ICT sector definition was agreed in WPIIS in 1998. The first and second proposals for a revision were discussed in the WPIIS meeting April 2000 and April 2001. Ms Colecchia presented the paper with principles agreed for the basis of the definition, issues raised for reviewing the definition and difficulties faced with the definition when gathering data for the IT core industries publication by OECD. Problems are related mainly to wholesale and telecommunications.

Some of the national classifications provide a more detailed classification in some parts of the ICT sector enabling a more refined sector classification to be used e.g. NACE. For the 2002 revision of ISIC and CPC, only minor changes or subdivisions will be possible with all major changes having to wait until 2007. However, several participants shared the opinion that the minor revision of ISIC 2002 concerning wholesale will fulfil the short-term needs for the revision of the ICT sector definition.

The ICT sector definition provides only a partial tool for describing the information and communication technology sector in the economy. It is important to have an ICT product or commodity definition, which for the moment is not available. It is also worth noting that an analysis of industry x commodity data is also an important part of any evaluation of the ICT sector definition. The participants saw no need for revising the ICT sector definition before seeing the results of the 2002 revision, the participants proposed further work with the ICT product definition instead.

The discussion on **the content sector** definition has been going on for quite a long time, extending back prior to the start of the WPIIS in 1997; at recent meetings there has been discussion on whether it is the content sector or the electronic content sector which needs to be defined and whether a sector definition can be seen to exist at all.

Mr Marc Aufrant presented some grass root concepts to describe and measure Information Economy. From this conceptual work it concludes CPC and ISIC classifications now must clearly mark the limits between ICT and content products, between ICT and content industries. For this purpose it is fundamental: - not to confuse electronic tools used to process information and information subject to electronic processing - not to confuse information as an electronic signal and information as a message - to remember "Content" is the key characteristic of a "content product", not the medium on which content is available - not to confuse a message and what the message is about.

The paper Industry Classification Revision and the Content Sector presented by Mr Jean-Marie Nivlet followed the previous conceptual approach proposed by Mr Aufrant. It discusses why it is suggested to define the content sector as “the group of ISIC industries primarily engaged in the publishing and/or the electronic distribution of content products”.

In view of classification revisions, it offers three case studies leading to a proposal relating to a detailed classification of content industries. Using a service description matrix, it verifies the definition and classification consistencies.

The papers were seen as necessary steps when introducing the content sector definition. UK reminded that the policy context of ‘content or information sector’ should be checked. The policy people should have the possibility to react. The OECD subgroup on the definition of the content sector definition will continue the work; its aim is to provide a proposal to the April 2002 meeting of WPIIS, all comments should be sent to Mr Nivlet or Mr Aufrant.

As a conclusion the Group agreed it was important to harmonize definitions, concepts methodology and survey tools. It is hoped to finalize much of the definitional work at the 2002 meeting of WPIIS, especially on issues related to the content sector. The proposition for a model questionnaire on ICT usage in households will also be finalized for the next WPIIS meeting.

Session 2: Producer Prices Indices for services (PPI)

Chair: Martin Brand

Martin Brand (UK, ONS) introduced the Prices Session. He explained that the program of the prices session was modified with the absences of USA, Bank of Japan and Australia due to the events in the USA. The new program had four parts:

Session 1 : principal papers (real estate and accounting services)
Session 2 : mini presentations (advertising, road freight and banking)
Session 3 : fitness for use (a presentation of UK)
Session 4 : presentation of OECD and future developments

PPI Session 2:1: Principal Papers

Presented papers:

1. Price Indices for Real Estate Services
   UK Office for National Statistics, Nick Palmer, Keith Jones

2. A Producer Price Index for Accounting Services
   Statistics Canada, François Bordé, Gaétan Garneau

Summary

Nicholas Palmer (UK, ONS) introduced a paper on Price Indices for Real Estate Services. This indices covered real estate agency services (selling, letting and acquisitioning activity; code ISIC 7020) and property rental payments (code ISIC 7010).

For real estate agency, the pricing mechanism combines an index of estate agents' margins (percentage commission) with an index of average property values or rental values. Twenty-six contributors provide about 250 quotations per quarter. "Representative" commission rate was measured in each market sector (ideally the median and not the average of actual rates charged).

For property rentals, a monthly survey of over 1000 investment properties by Investment Property Databank (IPD) is used. Monthly indices were used for combining with agents' commission rates and also gross income index for property rentals payments.

Nicholas then explained the limitations of these indices (quality adjustment for example) and presented future issues (for example the use of these indices as deflators). He mentioned, in conclusion, papers of others countries (Australia, US, Japan and Sweden) on this subject.

The questions about this presentation focused on the commission rate. For example, Aurél Kennessey de Kenese (Statistics Netherlands) noted the problem of the structural effect with the commission rate. Leslie Wai Kong Tang (Census and Statistics Department, Hong-Kong) asked Nicholas the reason for the choice of the median and not the mean. Nicholas said that the problem with the mean is any distortion due to the large number of small firms. John Verrinder (Eurostat) wondered if firms give the average of their commission rate the first time and after that ONS calculates the median. Another point appeared as an important point for several people: the problem with the business register and the link with the date of the measure of this indices (for example for property rentals).

Robin Lowe (Statistics Canada) introduced a paper on a Producer Price Index for Accounting Services. This paper was written by François Bordé and Gaétan Garneau. In Canada, the methodology for measuring the price evolution in accounting services is based on the price of several contracts (ten contracts per firm). This methodology is an output method. For the change of quality, they asked firms to identify the portion of the change in the value of their contracts due to the price effect (the another component is linked with the modification of the services).

In the paper, a graph on page 41 showed a comparison for PPI in accounting services for several countries (Canada, Japan, USA, France, Australia). In some cases, the trend seemed different but it is necessary to wait for more data for a robust conclusion.

The paper presented a comparison of the methods which are used by France, Japan, Australia, New Zealand, UK and USA. In France, some difficulties exist with this method because the contracts change and it is difficult for a firm to distinguish the price change component. In the future, charge-out rates for several degrees of qualification will be used. UK uses the charge-out rates only for the large firms and a model pricing for the small and medium firms. John Verrinder (Eurostat) explained that charge-out rates may be a suitable method but it is necessary to consider the structural effect with the composition of the labour force.

PPI Session 2:2 Mini Presentations on Producer Price Indices

Presented papers

1. Advertising Services Index, the French Experiment
   Benoît Buisson, France, INSEE

2. Challenges in the Development of a Price Index for Advertising Services in the UK
Nicholas Palmer, UK ONS (Office for National Statistics)

3. The Development of a Price Index for Road Freight Services in the UK

Nicholas Palmer, UK ONS (Office for National Statistics)

4. Innovations on Price Index of the Output of Freight Transport on Road
Monica Montella, ISTAT (Italian National Institute for Statistics)

5. Challenges in the Development of a Price Index for Banking Services in the UK
Nicholas Palmer, UK ONS (Office for National Statistics)

Summary

Benoît Buisson, (France) introduced his paper on advertising. The work on PPI in advertising industry started in France at the beginning of 2001 and the first quarterly mail survey was launched at the end of June. The French advertising industry consists of two kinds of companies: *Advertising placement agencies* and *Advertising creation agencies*.

Ad placement agencies

There are two usual methods for measuring prices of advertising placement; to focus on unit prices or to measure the price of a contract. Because of the difficulties with contracts being unique, measuring unit prices per ad spaces has been chosen. The sampling is carried out with selected advertisements. Slots are characterised by a specific day and time. In order to take into account the quality effects in advertising, for TV and radio commercials, price measurement is based on slots by size of audience. For radio and TV, a reference week is selected within each quarter and transactions are measured with one unit by medium. The price depends even on the quantity of ad space the customer buys in a year.

Advertising agencies

The work of an advertising agency consists in giving advice to companies and/or creation of advertising messages. There are three types of specialisations of advertising agencies; advert creation for media, marketing and purchase of ad space.

The four main methods of pricing are hourly fees, contract pricing, the commission rate on purchase of ad space and the commission rate on production spending.

The firms are asked about their method(s) of pricing and in case of a commission rate on the purchase of ad space, several contracts are selected and the commission rate is evaluated. In some cases, the measurement consists in averaging commission rate on several types of customers. It would however be dangerous to measure the average commission rate on all clients because clients may change in structure from time to time. In this case, the price measurement has to be weighted by the structure of customers. The price measurement in advertising agencies is then derived from the commission rate after multiplication by the price of ad space per medium.

The output method is applied when the contract can be offered to several clients and when contracts for standard services are available to any client.

Despite the disadvantages, hourly fees for several skill levels are used for services that are unique.

In response to a question asked by John Verrinder, Eurostat, Benoît Buisson, INSEE, explained that advertising on free newspapers and Internet are included on the survey.

John Verrinder pointed out the risks when price per ad space units are used as the price per ad space unit depends on which television program is shown at the moment. Benoît responded that the day is divided in three periods (e.g. primetime) for which price per ad space unit is collected.

Nick Palmer (ONS) introduced a paper on challenges in the development of a price index for Advertising services in the UK. The paper described some possible pricing methodologies that can be used to develop indices for advertising services. The methods are likely to be different whether the approach considers the creation or the placement of advertising.

The initial attempt to develop a price index for placement involves using existing information on revenues collected by an external organisation. This may then need to be supplemented by additional surveys to produce a suitable price index.

For placement, the challenge of whether or not to differentiate between services provided by advertising agencies and those provided by advertising media was described. A clear distinction between placement in the press and placement in other media was also identified. For the press, national and regional newspapers are the dominant media and, for other, TV dominates. A source of revenue data was described and a summary of total revenue by kind of media was given. Possible ideas for combining these data with other information were then suggested, for example, combining television advertising revenue with the number of commercial minutes broadcast, with possible adjustment for audience size.

The development of a price index for creation of advertisements was introduced and some possible ways forward were suggested.

In the discussion, Martin Brand gave a brief summary of the approach taken by Australia which involves a unit value method. John Verrinder raised some concerns about using television audience figures as a quality indicator, in particular the effect different patterns of viewing such as at peak time and when special events occur.

Road Freight Services

Nick Palmer (ONS) introduced the UK paper on Road Freight Services. A Corporate Services Price Index (CSPI) for road freight in the UK has been in existence for 5 years and is published quarterly by the ONS as an "experimental" statistic. It is regarded as one of the more robust and better established CSPIs and is used as a deflator in UK National Acounts.

The industry targeted is the industry 60.24/9 of the UK's Standard Industrial Classification which relates to freight transport by road. The following categories were drawn up as a framework for collecting prices:

- Agriculture and livestock (weight 1.3 %)
- General haulage, including rental of truck with driver (weight 54.5 %)
- International (weight 6.9 %)
- Tankers (weight 2.9 %)
- Temperature controlled (weight 1.5 %)
- Tipping and construction (weight 15.1 %)
- Warehousing and distribution (weight 15.7 %)
- Other (weight 2.1 %)

One question was should the index be determined according to: the type of cargo; the kind of vehicle; the destination or a combination of these?

Also, should related activities be included? Warehousing and distribution services belong to a different industrial classification, however, single contracts integrating element of transport, storage and distribution are increasingly common. There is also the difficulty of identifying road freight services in relation to other services such as freight forwarding or companies providing a range of inter-modal freight transport. Many large scale freight transport companies consider themselves as "logistics" companies engaged in every aspect of the movement of goods. Such companies are less dependent on just haulage for income and often subcontract significant parts of its road transport activity.

In discussion of the paper, Ron McKenzie (Statistics New Zealand) said that in the NZ survey, type of load is considered to be more important than type of transport. If the operator changes the size of the vehicle does that mean change of quality?

Aurél Kenessey de Kenese (Statistics Netherlands) said that in the Netherlands there is an index for road freight from 1994 using a similar approach as the UK. It is divided between domestic, Eurozone and non Eurozone freight. Model prices are used mainly.

John Verrinder (Eurostat) proposed broadening collection of data to rail transport, sea freight and air freight as there can be different types of transport on the same bill.

Finally Martin Brand suggested that the paper on road freight from Netherlands should be circulated.

Monica Montella (Italy) introduced her paper on a price index for road freight transport. The method used was based on existing sources rather than extra data collection.

The national accounts analysis considers only freight transport services that are carried out by third party or hired hauliers. Currently in Italy there are no surveys focused specifically on prices relating to the outputs of freight transport services activities.

The statistical sources used to estimate prices of the output of freight transport on road are the sample survey on freight transport by road and the standard tariffs set by the Ministry of Transport and Navigation.

The main variables studied by the survey of domestic third party freight transport used for this paper are: tons/kilometer, classes of distance traveled distinguished according to groups of goods (from the statistical classification of traffic (SCT)) and the average number of kilometers that the vehicles covered during the reference week examined. The average price related to transport by road has been estimated starting from the tariffs issued by the Ministry of Transport and Navigation traffic control authority. The tariffs are determined by considering the average cost of the corresponding transport services and have been successively updated with further degrees of adjustment on a more or less yearly basis.

The methodology adopted is based on information relative to prices applied by road hauliers and to tons-kilometer of goods transported, distinguished according to groups of goods classified with the Statistical Classification of Traffic (SCT), taking into proper account the weight, the tariff class and the class of distance travelled.

The index obtained for the SCT/24 groups is calculated as a fixed base price index of the Paasche type.

In discussion, Martin Brand (ONS) asked if the tariffs are a legal requirement in Italy and Monica Montella answered yes, but since they are rarely applied, ISTAT looks at the actual transactions instead and in such a way avoids problems with possible discounts.

Martin Brand also asked if ISTAT uses a combined index and then take account of the diesel consumption. The answer was yes, the calculated prices are weighed with the diesel consumption in order to obtain a more accurate index.

Banking Services

At the start of his presentation on banking, Nick Palmer (UK) referred to the US method for a price index for banking services (see paper by Deanna Eggleston entitled "U.S. Producer Price Index for Banking").

For the time being, it has been decided that the UK will concentrate mostly on commercial loan and deposit services provided by banks – partly because this is an area where there is some relevant and apparently suitable data already collected centrally (by the Bank of England).

The development of a price index needs a significant insight into the data currently provided, as well as a detailed understanding of the relationships amongst the UK banks, the Bank of England and the government. Fortunately the Bank of England is able to play an active role in the development work. The British Bankers' Association is also able to contribute to the consultations so ensuring the interests of the banks themselves is represented.

Statistical returns collected by the Bank of England which support the ONS in its calculation of national accounts include data on aggregate loans and deposits, interest earned and fees paid which could support an approach based on the principles of FISIM (Financial Intermediation Services Indirectly Measured). The US approach, using data at a very detailed level, is not available in the UK, although the basic principles (but using higher-level aggregate information) could be applied.

An approach using interest rate figures, loan and deposit balances and estimates of fees from a survey representing about 75% of activity in the targeted area, is currently under development. Aspects which need to be considered further are:

- breaking down the index into particular types of loan or deposit, if possible
- fees data are reported in total only
- the choice of reference rate is crucial
- how should "deflation" or adjusting for the change in value of loans/deposits
  be handled ?

In discussion, Leslie Wai Kong Tang (Census and Statistics Department, Hongkong) asked about the definition of the price being measured. Nick Palmer replied that the approach used is the indirect measurement of prices.

Leslie Wai Kong Tang (Census and Statistics Department, Hongkong) asked whether there is any plan to use the PPI to deflate FISIM for banking services in national accounts? Nick Palmer answered not at present.

Robin Lowe (Statistics Canada) and John Verrinder (Eurostat) asked about where the weights come from for combining deposits and loans price indices. Nick Palmer replied that they are based on revenue figures from the Bank of England covering the two sources (loans of income and deposits).

Robin Lowe asked why the UK adjusts for price changes in the object of the loan for particular loans, and not deposits. What is the adjustment made to? Nick Palmer responded that it is made to the price, but the UK has not decided yet whether or how to adjust. Robin Lowe mentioned that in developing price indices for expenditures by consumers on banking (to be added to the Canadian CPI soon) Canada found that ignoring interest foregone on deposits gave better results in hedonic comparison of packages than including them did, although they thought that they should include it.

<u>PPI session 2:3</u>: Fitness for Use and Quality Adjustment

The meeting could not discuss papers on quality issues due to absence of their authors

Presented papers:

1. Corporate Services Price Indices and their Fitness for Use as Deflators in UK National Accounts
   Martin Brand and Nick Palmer UK ONS

2. Eurostat Manual on Price and Volume measures.

Summary

Martin Brand summarised his paper which outlines the process for assessing the fitness of **UK Corporate Services Price Indices for use in National Accounts and for publication**. A formal process of development, review and quality assurance has been developed although the process has not been finalised yet. In practice the relationship is formal.

Use as a deflator and the publication status are linked, but they are not necessarily the same. Some price indexes may be the best deflator available, but may still not be suitable for publication.

Publication categories are:

1. Not publishable
2. Experimental
3. Fully publishable

Assessment of suitability for deflation uses absolute and relative criteria. In the application of the relative criteria it could be found that a deflator may be superior to a proxy currently used in National Accounts. The process also highlights future development requirements, whether an index is accepted as a deflator or not.

In the discussion, France asked for some examples of why deflators are not used. Reasons given were:

- Inadequate quality or industry coverage
- Volume measures are acceptable
- Not ready to implement

Canada has a very different approach. Their national accounts are much more free in what they use.

In response to a question from Ron McKenzie of New Zealand, he discussed the relationship between PPI and CPI in terms of understanding inflation. However users in the UK have not given the “stage of production” approach to measuring inflation a high priority.

John Verrinder of Eurostat gave a presentation about the **Eurostat Manual on Price and Volume Indexes**. In Eurostat there is an emphasis on the importance of “constant price GDP”. It is seen as an indication of well-being. The measure is used in measuring productivity and can be an indicator of public sector expenditure deficit. Therefore there is a drive to ensure measurement is consistent across Europe to support administrative use in the Euro area.

Eurostat recommends double deflation and supply-use tables. The manual is based on SNA and ESA. The legal basis is Commission Decision (98/715). It recommended chaining and prescribed a hierarchy of methods for deflation (A, B, C). Several task forces have reported and the handbook will be based on their work. The task force reports have been published.

The prescribed methods are:

A	most appropriate
B	unacceptable but not the best
C	unacceptable

In some cases they have not been able to define an A method in theory. The drive is to get countries to move to A and B methods. The handbook states A, B, C methods by output and by product.

Eurostat are intending to compile an inventory of countries’ methods by the end of 2002.

Issues discussed include the following:

- The key issue is often the definition of outputs.
- Bundling creates classification issues.
- Should quality be assessed from point of view of consumer and producers?

The handbook is due to be finalised in October 2001 and is intended to support future legislation in the specification of methods for deflation.

China Hong Kong asked how Eurostat monitors country practice in producing National Accounts. They get each state to produce an inventory which records data sources, assumptions, and adjustments. Eurostat studies the inventories. They ask countries to make improvements and monitor changes. The European Count of Auditors monitors Eurostat.

Eurostat is investing resource in hedonic pricing methods to see if they can be applied across Europe.

PPI session 2:4: OECD Survey of Services PPI Activity and Country Developments

Presented Paper

OECD Inquiry on National Collection of Services Producer Prices
Bill Cave OECD

The session was chaired by Martin Brand. Bill Cave (BC) presented a preliminary report of the 2001 OECD Inquiry on National Collection of Services PPIs.

The 2001 Inquiry was an update of previous inquiries and sought details of changes to price collections since July 2000 together with new plans for future surveys. Information on new data publication and methodological papers were also requested. Information from 21 countries had been received in 2001. Finland had begun collecting services PPI data for the first time making a total of 19 countries active in this field. US, Hong Kong, Canada and Australia also reported new (additional) price collections in 2001. Growth in activity continued at a similar level to 2000.

A new question, on uses and users of services PPIs, identified national accounts, more appropriate output deflators, price change monitoring and use by the private sector. OECD are also collecting services PPI data as part of the quarterly Indicators of Industry and Services (IIS) questionnaire. Publishing the data has so far proved problematic due to only small numbers of countries covering particular industries and comparability problems.

A number of countries spoke of their plans for future data collection including France, Netherlands, Finland, UK who were also rebasing series to 2000, Norway, and Sweden. Germany planned to review their current telecommunication methodology.

Countries reported on future plans as follows:

Canada	Accounting, Travel Accommodation, Banking, Commercial, Rents, Post Secondary Education.
Finland	Telecommunications, Accounting, Dry Cleaning, Commercial Cleaning, Legal Services, Advertising, Labour Recruitment, Technical Services.
France	Engineering, Construction, Software Consultancy Services, General Computing Services, Telecommunications Recruitment.
Netherlands	Car Leasing, Road Haulage, IT Services, Engineering, Accountancy, Telecommunications, Financial Intermediation.

New Zealand	Telecommunications.
UK	Architectural Services, Consulting Engineering, Telecommunications, Legal Services, Advertising, Computer Services.
Norway	Hedonic Methods, Civil Engineering, Computer Services, Car Rentals, Real Estate Agents.
Germany	Telecommunications.

The conclusions of the discussion were first that the OECD survey remains a useful reference tool for services PPI practitioners and should be updated next year. It would be worth considering inclusion of more information on quality adjustment methods. Integrate data on publication into the table 2. The report would be revised in the light of comments and placed on the OECD website. OECD were asked to try to find a way to publish services PPI data as soon as practicable to give countries comparisons and encourage others to produce data. Countries were asked to provide available data to OECD's IIS if they did not already.

Session 3: Classification of Service Activities and Products

Chair: Bill Cave

Presented papers

1. North American Product Classification System: Overview, Status, and Process
   Michael F. Mohr and Anne S. Russell, U.S. Bureau of the Census

2. Towards the construction of a sector of information in activities and products classification in 2007,
   Émile Bruneau, Michel Lacroix, INSEE France

3. Convergence of NACE and NAICS - Implications for Services Statistics
   Paul Johanis, Statistics Canada

4. Central Product Classification - Some Thoughts on Future Work
   Ralf Becker, UN Statistics Division

Given that the US delegates and session leader Paul Johanis from Canada were unable to attend, the session was reorganised. Bill Cave (BC) OECD chaired the session and papers 4 and a summary of 3 were presented by Ralf Becker (RB). Émile Bruneau (EB) presented paper 2 but paper 1 was not presented.

RB also presented an overview of the 2002 ISIC and CPC revisions and the process being established for the 2007 revisions, with the emerging perceptions of user needs. He described the UN Classifications Hotline and Registry. The steering role of the UN Expert Group on Social and Economic Classifications and the work of Expert Group's Technical Sub-group to formulate specific proposals. Requests and issues concerning the ISIC 2007 revision included so far: the creation of an information sector; more detail on agriculture; less on manufacturing; more on services; formulation of alternate aggregations; more consideration of the needs of the informal sector and tourism; keeping the number of ISIC classes about the same; and feasibility of some convergence between the NACE and NAICS. He referred to the UN questionnaire on needs and priorities for the 2007 ISIC and CPC revisions, which should be returned to the UN by the end of 2001.

In the context of developing an information sector in ISIC for 2007, EB explored the underlying principles and concepts that had been used in existing definitions of the NAICS information sector and OECD's ICT sector and their differences. He also discussed initial ideas about defining a 'content' sector. He said that currently in ISIC only goods could be traded in the distribution sector. He thought that in fact some services are traded despite the SNA definition that they cannot be e.g. holidays and airline tickets. He proposed that publishing be the core of the information sector, with media material and broadcasting and telecommunications as associated inputs and dissemination activities. Altogether the consequences on ISIC would be considerable.

The conclusions of the discussion were first that it is important for countries to consult widely and participate in the current UN questionnaire exercise. There is a need for more standard ISIC alternate aggregations or more precisely groupings: examples proposed included agri-food industry, knowledge-based services; and environmental services. Convergence of regional/national classifications is important in a globalising world but regional and national differences are necessary. The ISIC convergence discussions need to go beyond NACE/NAICS to address Japan's JSIC and ANZSIC and other regional needs. Analysts need international comparability as well as historic comparability, thus both convergence and good links to the existing ISIC are important goals for 2007. The Voorburg Group has expertise in classifications, services and ICT, which is a particular strength and the Group has potentially an important part to play in services and information/ICT area of the classification revisions. It could coordinate the validation testing of CPC categories. There is need to work on an international standard classification of demand for services, which differs from activity classifications.

Session 4: The Future

Chair: Peter Bøegh Nielsen

Patrice Roussel presented a paper prepared by the Bureau with a proposal for the future work for 2002-2004 and described briefly the work in the Group up to now. During the period 1987 to 1998 the Group dealt with a range of issues relating to the measurement of activities in the service sector. In Rome in 1998 the Group adopted a three years program with the following four permanent core themes and three rather more ad hoc themes.

Three years program 1999 - 2001

1) Core issues
- CPC
- PPI for services
- demand for purchased services
- non profit institutions

2) Ad hoc issues
- Measurement of employment input
- Definition and measurement of the ICT and content activities
- International trade and services

The outcome of the demand of services is a draft model questionnaire. After the tests running in 2001 are completed it will be transmitted to the UN Statistical Commission.

The core issue ” Non profit institutions” is a very difficult task since it covers a lot of units without registration and these units acting mainly in services out of business statistics. Any further works depend on if the countries involved will carry out a census of theses units and on the priority thy give to the added value of covering the parts of service sector that is not included in the business statistics.

Concerning the ad hoc issues Employment and International trade of services there have been no specific activities.

Proposed work program 2002-2004

The framework is proposed to consist of
- a three years program to enable in-depth work on themes handled with some degree of priority
- a very limited number of core issues
- ad-hoc issues which will not always be dealt with at each of the three forthcoming meeting
- themes subject to be exploit mentioned in the annual report to UN Statistical commission.

At least two of the themes below should be pursued as core issues.

Core issues:
- Classification of services, products and activities
- Services prices indices
- Information society (an adhoc issue 1999-2001)

Conceivable adhoc-issues:

1. Demand for services (Is there a need for updating the draft?)
2. Non profit institutions (Should we start with comparative studies in some sectors?)
3. Employment (focusing on qualifications and skills in relation with ICT impact and in relation with innovation.)
4. Innovation
5. Balance of payments
6. Short terms indicators
7. Knowledge based economy
8. Others

Peter Bøegh Nielsen referred to the development of the ICT-theme from an ad hoc to a core issue. He also pointed at the similarities between the issues ICT and knowledge based economy and that work is already going on in several countries with developing statistics on knowledge based economy. The core issue ICT could be widened to cover the knowledge based economy.

Work between the meetings

The work between the meetings is very important and the collective work between countries has to be organised efficiently. It was proposed that the work should require

- start no later than in January
- enough time for actual work
- lead by a session leader
- active participation since membership in the Voorburg Group means work participation

Constitution and responsibilities of the Bureau

The responsibilities of the Bureau are to manage the activities of the Voorburg Group, organising its meetings and co-ordinating the work of the Group.

As defined in Rome, the Bureau is proposed to comprise four members as well as the previous host and the forthcoming host country. The members of the Group based on the Bureau's nomination appoint its chairman.

Prior to the Nantes meeting , the Bureau is proposed to consist of the following members:

Peter Bøegh Nielsen, President
Albert Meguerditchian
Patrice Roussel
Martin Brand
Gunnel Bengtsson
Hiroyuki Kitada

Coming meetings

France has invited the Voorburg Group to a meeting 2002 in Nantes, France in the fourth week of September.

From Japan an invitation has been received to hold the Voorburg Group meeting 2003 in Japan. The city is still not decided. The meeting will take place somewhat later in Japan probably in October.

Discussions

The importance of the classification issue in the future was stressed by many countries, UN and OECD. In the revision of CPC and ISIC 2007 the group can contribute with their opinions. The work has to go from principal to more practical issues in order to be able to handle the mixed service products. The turnover by product will then be of great interest as an ad hoc issue. There is a need of guidance on measurement of services.

PPI for services was considered as an obvious core issue of most countries and international organisations.

Many countries supported the proposal to enlarge ICT to knowledge based economy with focus on measurement of impacts of ICT usage and qualification and skills of the employees within the knowledge producing service activities. Some questions were however raised if the group had the necessary experts to handle this subject and if this issue was not already covered in other forums. The need of international cooperation both between national and international institutes in order to avoid duplication of work was stressed.

Ad hoc issues are important. Freedom for new issues from new countries has to be allowed. Bring the group open to new countries. Non-profit institutions and employment are hard issues. Focus should be on special subjects and not on measurement tools. Short-term statistics are very important for ECB. Balance of Payment is handled already of other organisations.

The Future for the Voorburg Group - conclusions

The Voorburg group adopted the proposed Work program for 2002-2004 that was put forward by the Bureau apart from some smaller changes in proposed list of themes (see point 3 below).

The group should continue to be **one** group which implies that all the necessary expertise knowledge can be collected from the separate member countries. The group should also in the future be interested in all services and also in services produced in manufacturing.

The meeting will be organised in a new way with parallel sessions according a proposal from the Bureau described in the scheme below. The two parallel session will be on Prices and ICT, which will take place on Monday afternoon and on Tuesday. The results from the parallel sessions will be presented and discussed on Thursday.

<table>
<tr><th>Day</th><th colspan="2">Am</th><th colspan="2">Pm</th></tr>
<tr><td>Monday</td><td colspan="2">Welcome</td><td>Prices</td><td>ICT</td></tr>
<tr><td>Tuesday</td><td>Prices</td><td>ICT</td><td>Prices</td><td>ICT</td></tr>
<tr><td>Wednesday</td><td colspan="2">Host day</td><td colspan="2">Host day</td></tr>
<tr><td>Thursday</td><td colspan="2">Open subject</td><td colspan="2">Classification</td></tr>
<tr><td>Friday</td><td>Open subject</td><td>Future</td><td colspan="2"></td></tr>
</table>

Lead of Prices: US
Lead of ICT: Finland
Lead of classification: Statistics Canada

Lead of sales of service products: UK
Lead of non-profit institutions: ?

The core issues will be limited to the following three:

- PPI for services (focusing on advertising, computer services, engineering services, insurance and banking and road freight)
- Classification of service activities and products (focusing on the needs of the 2007 revision especially in relation to the possible development of an information sector)
- ICT- enlarged with related areas (knowledge based economy), especially focusing on measurement of impacts of ICT usage and qualification and skills of employees within the knowledge producing service activities):

The ad hoc issues in the work program for 2002-2004 will be:

- Non profit institutions
- Sales by service products
- Short-term indicators

The ad hoc issues do not need to be at the agenda each of the three forthcoming meetings.

Some results regarding non-profit institutions could probably be presented as country reports from some of the members next year.

A point on the agenda next year could be to present some results from the Eurostat project concerning in-depth surveys within NACE 74 that some of the countries are going to conduct during the first part of 2002.

Efforts will also be made to integrate classifications issues on ICT in the next meeting.

The work program for 2002-2004 will be submitted to UN Statistical Commission.

The next meeting will take place 23 – 27 September 2002 in Nantes, France and the meeting 2003 in Japan.