Progress Report – Census Bureau/ Bureau of Labor Statistics
United States
Voorburg Group, 19th Meeting – Ottawa, Canada
September 2004

1. Producer Price Indexes for Services – The main achievements in 2003-2004 are as follows:

- Converted the industry net output indexes from the Standard Industrial Classification System to the North American Industry Classification System.

- Began publication of indexes for:
  - Health Insurance
  - Apparel Stores
  - Building Materials and Garden Supplies Stores
  - General Merchandise Stores
  - Furniture and Home Furnishing Stores

- Began calculation of research indexes for:
  - Wholesale Trade
  - Internet Service Providers
  - Banking

The main issues and challenges facing the PPI program include the following:

- Quality Adjustment and New Item Bias – A major concern is to find methods for explicitly quality adjusting service sector industries. Some success was encountered in formulating a hedonic model for quality adjusting retail liquor stores. As margin pricing applies, the model focuses on variables related to marketing, such as store hours and the proximity to the store of the nearest competition. Additional research is underway to expand on this by finding a more important retail trade industry that may meet the parameters for successful modeling. A technique for explicit quality adjustment of nursing homes was deployed primarily adjusting for changes in labor inputs. Research is underway in the hospital industry to determine if a similar approach is viable.

  New item bias concerns primarily relate to information technology. A continuous program of sample augmentation and directed substitution is employed in such IT industries as prepackaged software publishing and computer services. Sample augmentation is conducted to introduce a small sample of items into the index for new product lines, such as web software, that were not in existence when the industry was first sampled. Directed substitution is a probability based technique to select newer versions of product lines for items currently in the index.

- Aggregation Model – The service sector expansion is nearly complete. Over 75% of the non-goods sectors are expected to be in publication by the end of 2005. The next challenge is to formulate a series of analytically useful tables that include goods and services. A research index is currently in calculation which provides useful time series data to assist in this endeavor.

2. Classification of Service Activities and Products – The main achievements in 2003-2004 are as follows:

The United States continued work on the North American Product Classification System. Work completed this year included products for education, health, accommodation and food services, and initial work on transportation products. The schedule for completing significant coverage of service industry products has been set for mid-2005.

The main challenges with regard to classification of service activities and products:

The NAPCS development process currently is challenged by the lack of a continued availability of resources in North America, the looming deadlines for survey instrument design for the 2007 Economic Census, and work on a provisional demand-oriented structure for NAPCS.

3. Information Society Statistics and
4.b. Ad-hoc Issues (Sales by Services Products) and
4c. Ad Hoc Issues (Short Term Indicators) – The main achievements in 2003-2004 are as follows:

The 2003 Service Annual Survey (SAS) began collecting products for the Motion Picture and Sound Recording Industries (NAICS 512) which has, for the most part, completed product coverage for the Information Sector (NAICS 51). Products will be phased in for all of the 265 industries we now cover over the next several years. Also, for the 2003 SAS, we collected selected expenses from about half of these 265 industries and will collect these expenses from the remaining industries in the 2004 SAS.

In addition to the expansion of SAS, we introduced a new short term indicator, the Quarterly Services Survey (QSS). The QSS was mailed for the first time in April 2004, collecting data for fourth quarter 2003 and first quarter 2004. We will release data for the first time on September 13, 2004, showing results for fourth quarter 2003 through the second quarter 2004.

The main issues and challenges we face:

Our primary challenge in the coming years is budgetary. Granted, the 2003 budget provided considerable new funding for service industries. However, the requested additional funding for 2004 did not materialize and, although the 2004 funding request was rolled into the 2005 funding request, we are not optimistic about receiving additional funding for 2005. Adequate funding is critical to our continued success in building upon the work begun by these major initiatives. Our strategy for further expanding the SAS and the QSS will be covered in greater detail in the Strategy Session in a presentation entitled "U.S. Experiences With Implementing the Quarterly Services Survey, Expanding the Service Annual Survey, and Plans for Further Expanding these Surveys."

4. Future Topics

Our expectations and priorities for the 2005-2007 Voorburg program are as follows:

With respect to our focus on producer price indexes for services, the current program of targeting specific industries of interest to the membership and documenting different countries surveying practices is working very well. We are supportive of maintaining this process. We would like to see more emphasis placed on countries updating their earlier paper submissions as new insights and new methodologies are employed to improve surveying in a specific area. Also, it would be very useful for countries to document their experiences in surveying in areas already addressed by Voorburg in previous years.

Also, we would like to see continued attention given to the following ad hoc issues:

- Sales by Services Products (Measurement of Turnover of Detailed Products), and
- Short Term Indicators

During the time period covered by the 2005-2007 Voorburg Program, we expect to collect and publish a wealth of services detailed products from the 2002 Economic Census and from the 2003, 2004, 2005, and 2006 SAS surveys. Moreover, during this time period we will begin planning in earnest for the collection of services product detail from the 2007 Economic Census.

In addition, as we continue to implement and expand the coverage of our new short-term indicator, the QSS, it would be useful to share our experiences and plans and to gain new insights for future developmental work.