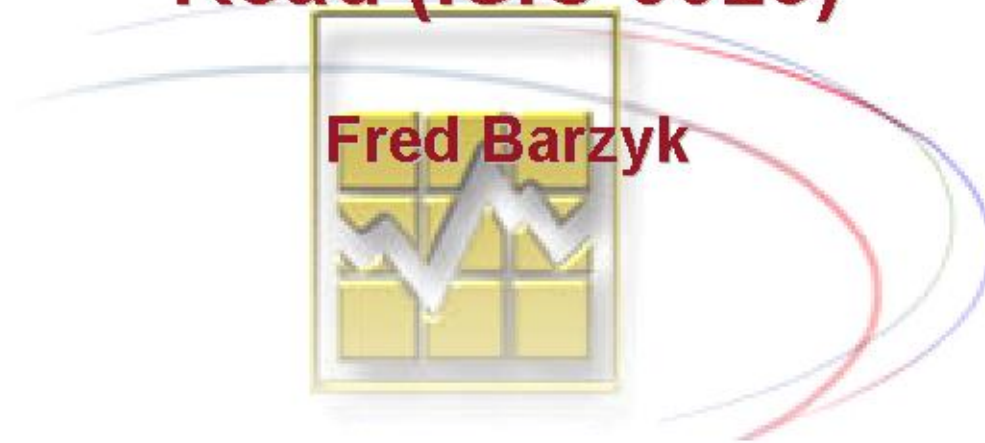


# **Sector Paper on Freight Transport by Road (ISIC 6023)**




**22nd Voorburg Group Meeting**

**Seoul, South Korea  
September 10th to September 14th 2007**

# Overview

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- **Presentation of paper**
    - **Purpose of paper**
    - **Organization**
  - **Discussion and feedback**
  - **Process for final version of sector paper**
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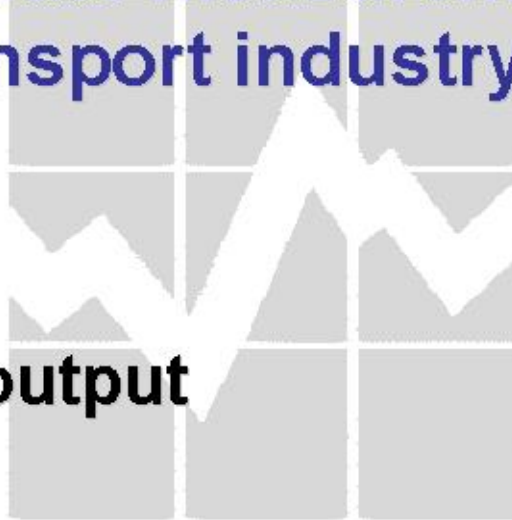
# Purpose of paper

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- Provide concise and exhaustive overview for the accurate measurement of GDP for the road transport industry

## *3 elements:*

- **Turnover/output**
- **SPPI**
- **Classification**



# Organization of paper

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- **Content Development Framework (CDF)**

- **Original 5 sector paper headings, with addition of review of international progress.**



# Overview of International Progress - 1

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- Survey results presented for 22 countries at 21st Voorgburg group meeting in Weisbaden, Germany in 2006.
- Survey covered the development of turnover and SPPI data for trucking services.
  - Level of detail by industry and commodity for which data were produced by the responding country, by industry and product.

## Overview of International Progress - 2

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- **Of the 22 countries:**
  - **15 collect industry turnover data and 12 produce industry level prices indexes.**
    - The level of detail is limited.
  - **For turnover by product, 5 countries produce or *will soon produce* detail  $\geq$  the CPC.**
  - **SPPI, only 3 countries produce detail  $\geq$  the CPC detail.**

## Overview of International Progress - 3

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- **Low degree of alignment of detailed turnover and prices data.**
  - **No countries reported that they collected detailed and well aligned turnover and prices data.**
  - **12 countries did indicate that their industry-level turnover and prices data were either currently aligned or would *soon* be aligned.**

## Overview of International Progress - 4

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- *OECD-Eurostat 2005 Inquiry on National Collection of Services Producer Prices:*
  - 24 countries currently produce or are developing an SPPI for this service.
  - 16 countries collect transaction prices, mostly through contract pricing, with the remainder relying on list prices or model pricing techniques.



## Summary of Primary Findings from Mini-Presentations - 1

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- **Definition of the service being priced**
  - Some notable differences of service definitions across countries.
    - Bundling varies
- **Unit of measure for Turnover and Pricing**
  - The unit of measure for turnover data for all countries is defined as revenues.
  - The unit of measure for price data typically represents a shipment.
- **Market conditions and constraints**
  - Service is important to economy.

## Summary of Primary Findings from Mini-Presentations - 2

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- **Standard classification structure and detail - are price determining characteristics covered?**
  - For most countries, product classification detail is available for *some* main PDCs.
    - type of vehicle or cargo transported (e.g. bulk liquids, forestry products, general freight, refrigerated products), NAICS, also by distance (short and long distance) and truckload (full and less-than-full).
  - Countries have to go below the existing classification to further split out activity.
    - PDC not covered by any of the classifications is the type of price arrangement or terms.

## **Summary of Primary Findings from Mini-Presentations - 3**

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- **Evaluation of standard vs. definition and market conditions**
  - Countries fine-tune their classifications to more accurately measure the industry.
- **National accounts concepts and measurement issues for the area related to GDP measurement**
  - Most countries (try to) adhere to the national accounts concepts, but measurement issues do vary from country to country.

## Summary of Primary Findings from Mini-Presentations - 4

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- **Turnover/output data and pricing methods and criteria for choosing.**
  - Almost all countries use a combination of methods for collecting turnover/output statistics, including surveys and administrative data.
  - Pricing methods generally used are contract pricing and model pricing. Most countries often rely on a combination of the two in order to address response burden.

## Summary of Complications & Recommended Guidelines for SPPI and Turnover/Output - 1

Point 4.1: Surveying the appropriate service activity consistent with the classification definition is challenging.

Recommendation 4.1: Countries should adopt and focus on the relevant industry classification definitions (e.g. ISIC) in collection as their main objective. Separating out ancillary activities is advocated.

## **Summary of Complications & Recommended Guidelines for SPPI and Turnover/Output - 2**

**Point 4.2:** The industry vs. product dimension is important to national accountants.

**Recommendation 4.2:** Turnover surveys should aim to collect a minimum level of product detail consistently over time.

## **Summary of Complications & Recommended Guidelines for SPPI and Turnover/Output - 3**

**Point 4.3: Develop accurate and representative SPPI for road transport. Several options: contract prices, list prices and model prices.**

**Recommendation 4.3: The method(s) used to collect prices reflect as closely as possible the real world activity of firms within the industry. Collect actual transaction prices.**

## Summary of Complications & Recommended Guidelines for SPPI and Turnover/Output - 4

### Point 4.4: What to include in the price?

Recommendation 4.4.1: The price collected should reflect the *producer price* for road transport.

Recommendation 4.4.2: The specification and terms of the service require significant detail to ensure that a repeatable service and recognized customer are defined and re-priced over time.



## **Comparison of the Turnover/Output Definition and Measurement by PPI and Turnover/Output Technicians**

- **For turnover data and price indexes to be used together appropriately (e.g. turnover data for use in weighting price indices),**
  - concepts and definitions must be highly coherent and consistent.
- **From papers presented at VG2006;**
  - The degree of coherence varies from country to country from medium to high.
  - Some countries collect most if not all of the turnover detail necessary to produce an SPPI, while those that do not have to rely on other sources of activity data for producing their weights.

## **How Suggested Key Methodology Guidelines and Results Meet the Needs of the National Accountants - 1**

- *Defining industry scope and aligning turnover and prices*
- *Constructing a high quality SPPI*
- *Timeliness*



## **How Suggested Key Methodology Guidelines and Results Meet the Needs of the National Accountants - 2**

*Defining industry scope and aligning turnover and prices data.*

**Recommendation 4.1 will help answer the following important questions:**

- **Is the definition of the economic activity consistent with the requirements of national accountants?**
- **If so, is the actual data collected in this way?**
- **Specifically, do the data meet the needs of national accountants to the extent that turnover and price series themselves consistently measure the same activity?**

## **How Suggested Key Methodology Guidelines and Results Meet the Needs of the National Accountants - 3**

*Defining industry scope and aligning turnover and prices data.*

**Recommendation 4.2 suggests that the level of detail for turnover and price data be expanded to include some basic level of product groups (in addition to industry detail) which would be beneficial to national accountants.**

## **How Suggested Key Methodology Guidelines and Results Meet the Needs of the National Accountants - 4**

### ***Constructing a high quality SPPI***

**Recommendation 4.3 proposes the SPPI be based on real transactions prices (or at least very close substitutes) which in turn represent actual output and shipment prices.**

**Recommendation 4.4.1 aims at providing the proper conceptual price as defined by national accountants (i.e. producer price).**

## **How Suggested Key Methodology Guidelines and Results Meet the Needs of the National Accountants - 5**

- *Constructing a high quality SPPI*

Recommendation 4.4.2 deals with constructing a constant quality SPPI that is representative of current period production.



## **How Suggested Key Methodology Guidelines and Results Meet the Needs of the National Accountants - 6**

### ***Timeliness***

**One of the key desirables from a national accountant's perspective and it is a component of the VG Quality PPI Assessment Framework. Both turnover and prices need to be timely to produce an accurate and up-to-date measure of real economic activity.**

# Prescribed Changes for Standard Classifications or National Accounts as Required - 1

- On an industry basis, the various classification systems are fairly harmonized for the freight transport by road industry.
  - Various industry classification definitions for the service are comparable across general levels. The service broadly defined is the same.
  - Depending on the country, localized differences show up at the lower levels of their respective industry classification structure.
- High degree of standardization and integration in terms of the definition of the service measured.



## Prescribed Changes for Standard Classifications or National Accounts as Required - 2

- Unlike the industry classification comparison, product classifications are not harmonized to the same degree.
- Comparing the CPC to NAPCS, several noticeable differences are evident in product lines:
  - Moving services are included in the CPC 64335 - *Moving services of household and office furniture and other goods*, while NAPCS has them separated into their own output group 484001 -*Moving services*.
  - The CPC includes letters and parcels (64336 - *Road transport services of letters and parcels*), while NAPCS places these under a different output group (492001 *Courier, parcels, and local messenger and delivery services*)
  - The CPC has a category freight transport by man- or animal-drawn vehicles (64334 - *Road transport services of freight by man- or animal-drawn vehicles*) which is excluded in NAPCS for road transport.

# Discussion and feedback

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Points:



# Process for final version of sector paper

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