

Turnover and output for Leasing of intellectual property...

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remarks

The views expressed in this paper are those of the author(s) and do not necessarily reflect the policies of Statistics Netherlands.

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1. Introduction

This report contains information on the turnover and output of data on intellectual property and the use thereof for the national accounts. Further, the difficulties during the statistical process are discussed as well as the opportunities to improve this process.

2. Definition of service being collected

2.1 Classifications

The Dutch Standard Enterprise Classification (SBI 2008) also called the Standard Industrial Classification (SIC) is based on the activity classification of the European Union (Nomenclature statistique des activités économiques dans la Communauté Européenne, NACE) and on the classification of the United Nations (International Standard Industrial Classification of All Economic Activities, ISIC).

The first four digits of the SBI are the four digits of NACE and the first three digits of the SBI and NACE are the same as the first three digits of ISIC. The fifth digit is a Dutch differentiation.

2.2 Rental and leasing activities

The SIC 77 division includes the renting and leasing of tangible and non-financial intangible assets, including a wide array of tangible goods, such as automobiles, computers, consumer goods and industrial machinery and equipment to customers in return for a periodic rental or lease payment. It is subdivided into: (1) the renting of motor vehicles, (2) the renting of recreational and sports equipment and personal and household equipment, (3) the leasing of other machinery and equipment of the kind often used for business operations, including other transport equipment and (4) the leasing of intellectual property products and similar products.

Only the provision of operating leases is included in this division.

This division excludes financial leasing activities (see class 6491), renting of real estate (see section L) and the renting of equipment with operator. The latter is classified according to the activities carried out with this equipment, e.g. construction (section F) or transportation (section H).

Table 1 Rental and leasing activities according to the different classifications

ISIC rev. 4	NACE rev.2	SBI 2008	Description
77	77	77	Rental and leasing activities
771	771	771	Renting and leasing of motor vehicles
772	772	772	Renting and leasing of personal and household goods
773	773	773	Renting and leasing of other machinery, equipment and tangible goods
774	774	774	Leasing of intellectual property and similar products, except copyrighted works

The Dutch division rental and leasing activities employs almost 45 thousand people in more than 8 thousand enterprises and has an annual turnover of 11,5 billion euro. Leasing of intellectual property and similar products, except copyrighted works, is a rather small group of enterprises and employs almost 6 thousand people in only 900 enterprises. When summarized, these enterprises generated a total turnover of 1 billion euro in 2012.

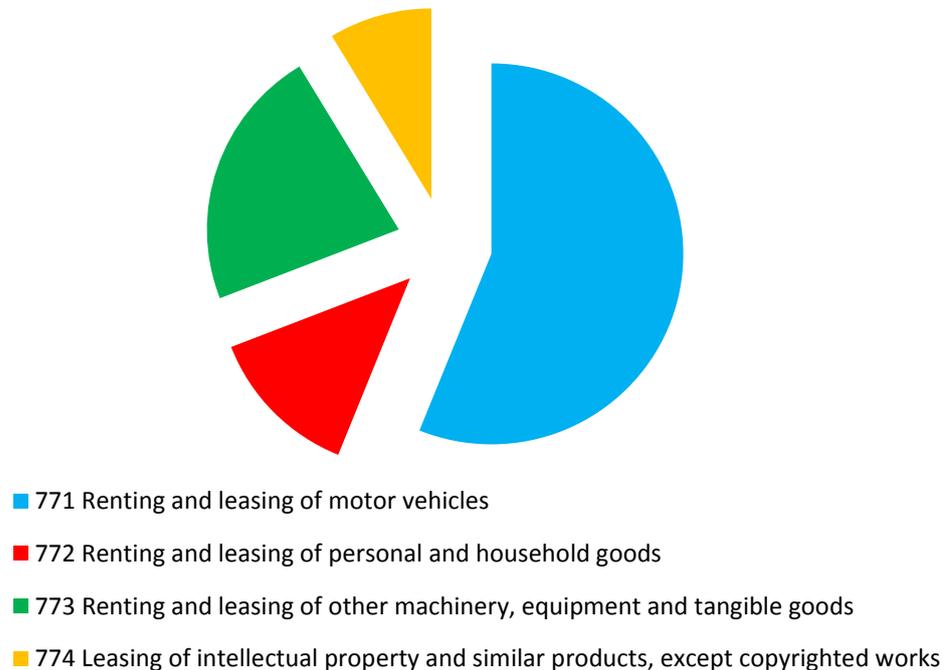
Table 2 Overview of rental and leasing activities in the Netherlands

Period	2012			
Subject	Enterprises	Employees	FTE	Turnover
Sector/division (SIC 2008)		x 1 000	x 1 000	x billion euro
77	8475	44,1	35,2	11,6
771	825	8,2	6,9	6,5
772	3920	15,2	11,2	1,5
773	2835	15,1	12,6	2,6
774	900	5,6	4,5	1,0

Source: Structural Business Statistics, NACE rev. 2, 2012

Enterprises which are specialised in renting and leasing of motor vehicles (SIC 77) generate more than 50 percent of the total turnover. Only a small ten percent of the total turnover is obtained by the 900 enterprises of the SIC 774 Leasing of intellectual property and similar products etc.

Figure 1 Turnover rental and leasing activities



Source: Structural Business Statistics, NACE rev. 2, 2012

The exploitation of patents, licenses, copyrights, film and music, are the most important group in the 774. The 774 is not broken down into subcategories.

2.3 SIC 774 Leasing of intellectual property...

Leasing of intellectual property and similar products, except copyrighted works, includes the activities of allowing others to use intellectual property products and similar products for which a royalty payment or licensing fee is paid to the owner of the product (i.e. the asset holder). The leasing of these products can take various forms, such as permission for reproduction, use in subsequent processes or products, operating businesses under a franchise etc. The current owners may or may not have created these products.

Detailed structure and explanatory notes 235:

This class includes:

- leasing of intellectual property products — (except copyrighted works, such as books or software)
- —receiving royalties or licensing fees for the use of:
- TM TM patented entities
- TM TM trademarks or service marks
- TM TM brand names
- TM TM mineral exploration and evaluation
- TM TM franchise agreements
- This class excludes:
- —acquisition of rights and publishing, see divisions 58 and 59
- —producing, reproducing and distributing copyrighted works (books, software, film), see
- divisions 58 and 59
- —leasing of real estate, see group 681
- —leasing of tangible products (assets), see groups 771, 772, 773
- —renting of video tapes and disks, see 7722
- —renting of books, see 7729

3. Unit of measure to be collected

Turnover is measured as net turnover, proceeds from sales, excluding value-added tax (VAT), deducting discounts, premiums, deposits and freight charges. The enterprise, employing at least one person for 15 hours work or more, is used as the statistical unit.

STS turnover is measured by using VAT-data. VAT-data is the only available data source as no other collection method, like a sample survey or census is being used at this moment. To measure the SBS turnover a sample survey is being used.

4. Market conditions and constraints

4.1 Available statistics

In Table 3 the statistical information which is available for the rental and leasing activities for transportation is shown.

Table 3 Available statistical information SIC 77

Statistic	Turnover STS	Operating returns/costs SBS	PPI/SPPI	Sentiment surveys
Sector/branches (SIC 2008)				
77 Rental and leasing activities	Y	Y	Y	Y
771 Renting and leasing of motor vehicles	Y		Y	
772 Renting and leasing of personal and household goods	Y			
773 Renting and leasing of other machinery, equipment and tangible goods	Y			
774 Leasing of intellectual property and similar products, except copyrighted works	Y			

Structural Business Statistics (SBS)

These are annual statistics on employment, operating returns and costs. The most recent year is 2012. The information is collected at a 3-digit level and published at a 2-digit level.

Short Term Statistics (STS)

These are quarterly statistics on turnover and prices, both available as NACE rev. 2 (index 2010 = 100). The information is collected but not published.

Business Sentiment Survey

This statistic is set-up to provide current information on the opinions of Dutch producers about performance and expectations concerning their enterprises. The Business sentiment survey makes it possible to identify turning points in business sentiment at an early stage. In this way a change in the trend of economic activity of Dutch companies is available at an early stage. The questions that are asked to the companies relate to production, sales, prices, orders, stocks, investment, competitiveness, economic climate, workforce and the factors limiting production.

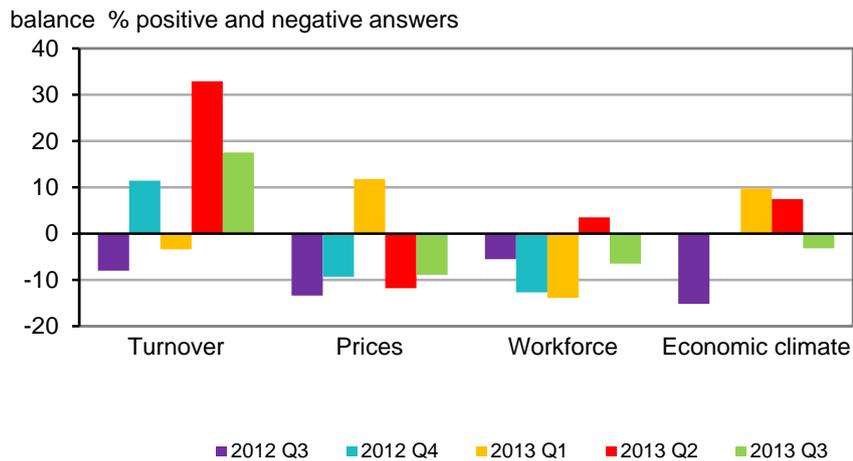
National Accounts

The National Accounts provide information on production, intermediate consumption and value added for the 77 rental and leasing activities.

4.2 Rental and leasing activities: current market situation

The expectations of the Dutch producers changed a lot in the last five quarters. More than 60 percent expects that the turnover will remain unchanged in the next quarter. Ten percent expects a decrease of turnover in the next period versus 30 percent who expects an increase. The balance score therefore is plus 17 percent as shown in figure 2.

Figure 2 Expectations third quarter 2014



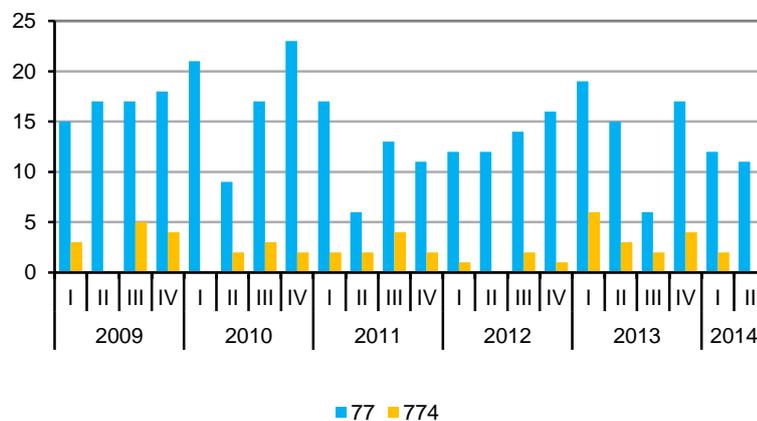
Source: Statistics Netherlands

Workforce: for the third quarter the balance between positive and negative answers was negative, again. After one period in which the expectations revealed a small increase of workforce. This indicates that the Dutch producers became slightly more pessimistic. More than 93 percent expects that the economic climate will remain unchanged. Nevertheless five percent still thinks that the economic climate will decline.

Bankruptcies

In the second quarter of 2014 11 companies went into liquidation as shown in figure 3. No single 774-company was on the bankruptcy-list.

Figure 3 Number of bankruptcies rental and leasing activities



Source: Statistics Netherlands

5. Standard classification structure and product detail/levels

Regarding to the STS and SBS statistics there is no further breakdown into product categories as shown in table 3.

6. Evaluation of standard vs. definition and market conditions

To find out which type of enterprises dominate the rental and leasing activities, the number of companies as well as the turnover are divided into size classes. As shown in figures 4 and 5 a few sub branches are dominated by a small number of enterprises like the renting and leasing of motor vehicles (SIC 771). The SIC 771 is dominated by a small number of large companies (< 2 percent) with a share of more than 70 percent of the market.

Unlike in the SIC 771 the market of leasing of intellectual property etc. isn't dominated by large companies. The large companies, only a half percent of the total number of companies, has a share of almost 16 percent in turnover. More than 50 percent of the total turnover is generated by the so called medium companies, which represent approximately 3 percent of the total number of companies.

Figure 4 Number of companies: share in order of size class

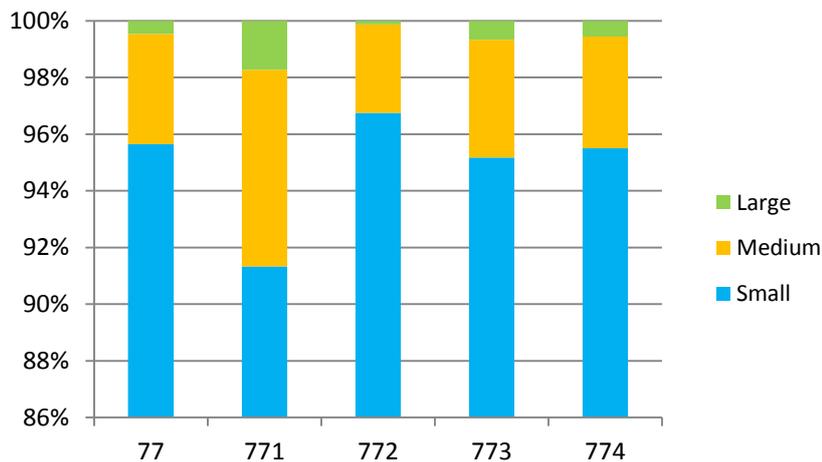


Figure 5 Turnover: share in order of size class

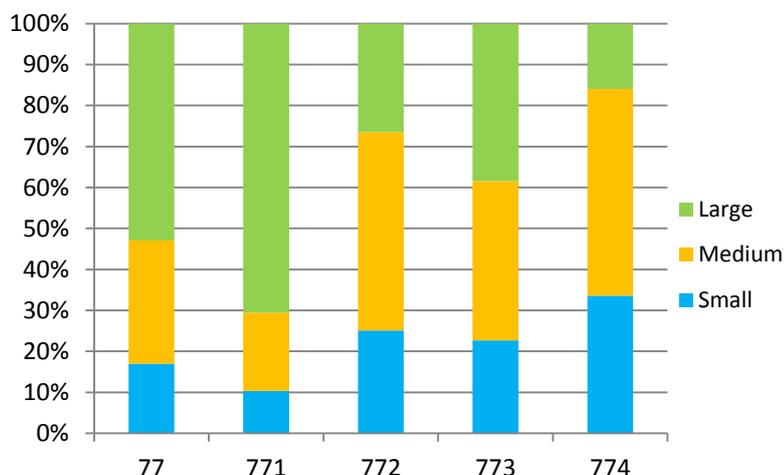


Table 4 shows, amongst others, the shares of turnover per size class at the level of SIC 774. It is noticeable that the small companies have a share of one third of the total turnover. But the share of operating costs is almost two third of the total operating costs.

Table 4 SIC 774: shares in order of size class

Leasing of intellectual property etc... 2012	Enterprises		
	Small	Medium	Large
	%		
Business turnover, net	33,5	50,5	15,9
Persons employed, annual average	69,5	24,5	5,9
Persons employed, annual average in FTE	64,9	28,2	6,9
Personnel costs	54,8	34,5	10,7
Operating costs	65,5	25,5	9,0

Table 5 shows the figures of the turnover per person employed in FTE and the personnel costs per person in FTE. The conclusion is that the leasing of intellectual property etc. is certainly not an outlier in the rental and leasing business regarding to the shown variables. With an average number of 50 thousand euro personnel costs per person employed in FTE and a turnover ratio of 223 thousand euro per person employed in FTE.

Table 5 Financial indicators per branch

	Turnover per person employed in FTE	Personnel costs per person employed in FTE
	x 1000 euro	
77	329	43
771	946	55
772	134	30
773	204	46
774	223	50

Table 6 provides a summary view of the total supply and use for the N77. In total, 43 percent produced in the Netherlands, the rest is imported. Approximately 44 percent of this is consumed by other companies (B2B) and 43 percent is exported. Only 10 percent is consumed by consumers (B2C). Consumption by consumers almost all takes place in the vehicle leasing industry.

Table 6 Supply and use tables for N77

Supply	2010	Use	2010
Dutch production	44%	Consumption	10%
Import	56%	Intermediate consumption	44%
		Export	43%
		Investments	3%
Total	100%	Total	100%

The B2C ratio is almost 57 percent in the rental and leasing of vehicles (table 7). This is a very high percentage in comparison with the other branches of industry.

Table 7 Supply and use tables for the renting and leasing of business vehicles

Supply	2010	Use	2010
Dutch production	98%	Consumption	57%
Other		Intermediate consumption	41%
Import	2%	Export	2%
Total	100%	Total	100%

Table 8 shows that the import and export plays a major role for licenses. The Netherlands is a transit port, because more than half of the services is purchased by foreign countries.

Table 8 Supply and use tables for leasing of intellectual property

Supply	2010	Use	2010
Dutch production	27%	Consumption	
Other		Intermediate consumption	40%
Import	73%	Export	56%
		Investments	4%
Total	100%	Total	100%

7. NA concepts and measurement issues

The National Accounts provide statistical information on production, intermediate consumption and value added for rental and leasing activities as shown in table 9. The National Accounts use source statistics like the STS turnover figures to compile macro figures. The methodology used in source statistics may differ from the concepts used in the National Accounts. Some items, which are not covered by source statistics, are estimated and adjusted so everything will perfectly fit. That's why the figures of source statistics and the National Account may differ.

Table 9 Production, intermediate consumption and value added SIC 77

	Production basic prices mln euro	Intermediate consumption (-) mln euro	Gross value added basic prices mln euro
2010	10439	4293	6146
2011	9988	4156	5832
2012*	9944	4127	5817
2013*	9996	4141	5856

* provisional figures

As indicated before, the STS figures are not published. The information is also not used on a quarterly basis by the National Accounts to calculate volumes. A second problem is the lack of reliable price information. Although the SBS figures are published and are also used to calculate volumes.

As a source to calculate the quarterly volume changes of the SIC 77 the National Accounts uses volume changes from the VNA. The association of Dutch vehicle leasing companies.

The goal for the future is to use a similar methodology for the STS and SBS statistics regarding to rental and leasing activities; so the output must be near the same. The solution for reducing different outcomes is the use of VAT to estimate a quarterly turnover level. This can be used to calculate the growth rate per quarter and four quarters of a year added up means that the turnover level is already known. This information is used as a constraint in SBS. Meaning that the STS turnover is equal to the SBS turnover and the structural information will fit without major adjustments. This methodology is already implemented for certain statistics like the Wholesale trade and the commercial services.

To accomplish this goal there is a need for structural and fine-tuned STS figures on a more detailed level. Furthermore service production price indices are required on the same level as the turnover aggregates to improve the quality of the volume-indicators. However, Statistics Netherlands isn't an exception regarding to the lack of having a SPPI of the SIC 774. No other know statistical office has SPPI figures of that aggregate.

8. Turnover/output data method(s) and criteria for choosing various output methods

Statistics Netherlands doesn't have a survey to collect 'volume changes' for warehousing and support activities. Volume changes are estimated by using price information and turnover data.

The National Accounts approximates volumes by using the available price data combined with additional information of for instance wages as determined in collective labour agreements and CPI data. Volume figures are published at a 2-digit level (SIC 77) and on an annual bases.

For the SIC 77 there is little price and volume information available. For the SIC 771 SBS turnover is used and the price development of the SPPI. For the SIC 774 also the STS turnover is used and National accounts uses wages as determined in collective labour agreements. All other rental and leasing services are deflated in a large group. For this group also the STS turnover is used and deflated by the overall inflation rate of the CPI.

9. Comparability of turnover/output data with price index practices

See chapter 8.

10. Summary

To collect STS turnover data no primary data collection is used for the SIC 77 and the SIC 774. STS turnover is measured by using VAT-data. VAT-data is the only available data because of the fact no other collection method, like a sample survey or census is being used at this moment. To measure the SBS turnover a sample survey is being used.

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The goal for the near future is to use a similar methodology for the STS and SBS statistics regarding to rental and leasing activities, so the output must be near the same. The solution for reducing different outcomes is the use of VAT to estimate a quarterly turnover level. Which can be used to calculate the growth rate per quarter and four quarters of a year added up means that the turnover level is already known. The result will be that the STS turnover changes are equal to the SBS turnover changes and the structural information will fit without major adjustments. This methodology is already implemented for certain statistics like the Wholesale trade and the commercial services.

To improve the quality of the volume-indicators there is a strong need for structural and fine-tuned STS figures on a more detailed level. Furthermore service production price indices are required on the same level as the turnover aggregates.