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Panel “Two French examples with user-value quality adjustment”

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1 Call centres

As explained in the French mini-presentation on call-centres, the customers of these services see their off-shoring as a price decrease. National Accounts should reflect this phenomenon. It would not be the case from SPPI if off-shored and on-shored activities were seen as two different kinds of products, as it is usually recommended in international manuals (quality as a factor for stratification). On the opposite, as suggested for cases of price discrimination (imperfect markets for a lot of reasons), we measure average prices (on both off-shored and on-shored activities) by enterprise, but we quality-adjust off-shored activities by a conventional coefficient of 0,8 (lower command of French language and culture).

This reasoning can be extended to other off-shoring activities where a domestic company is an intermediate between the foreign subcontractor and the domestic end-user, hence where there exist two kinds of domestic services: the genuine ones (performed on-shore) and the fake ones (performed off-shore but re-invoiced on-shore). Nevertheless, the coefficient of 0,8 is to be estimated for each kind of product, and sometimes can be valued to 1, *i.e.* without impact.

2 Industrial gases distributed by mains

Industrial gases (20.11) can be distributed by bottles or through mains.

In this latter case, the French market is dominated by "*take or pay*" contracts: the monthly amount of the invoice is fixed for five years and independent of the actual quantity exchanged, as long as it is smaller than the quantity recorded in the contract (characteristic of each contract).

In 2009, the economic crisis made the demand side quite lower than the supply side, and consistently producer prices decreased in chemicals including industrial gases distributed by bottles, but not in industrial gases distributed through mains, because of long-term contracts...

The amounts of transactions were stable ("take or pay contracts"), smaller quantities were exchanged (-25%), but two possibilities were opened for price development:

- contract prices were stable, as it could be interpreted from contractual terms, and if same quantities had been exchanged as in previous year. It could also be seen as the lesson of international manuals, as the Eurostat Handbook on price and volume measures in national accounts (2001):

"1.2 In principle, the price components should include changes arising solely from price changes, while all other changes (relating to quantity, quality and compositional changes) should be included in the volume components."

- prices per kilo had implicitly increased, as quantities had decreased, for a stable value. It would then lead to an opposite phenomenon to all other chemicals at this time!

The dilemm for national accountants is summarized hereafter:

	value 2008	Ivol	volume 2009	Iprice	value 2009
industrial gases (through mains)	100	75?	75 or 100?	100?	100

The logic of "natural" quantities prevailed here, in line with technical coefficients for inputs of user activities in National Accounts: volume index = 75, price index = 133.

This reasoning can be extended to other services where a stable monthly lump-sum covers various quantities until some thresholds, for instance in mobile telecommunications. No apparent price changes, no value changes, but how to explain that quantities change?