

SESSION 1: HORIZONTAL COMPARISONS

Chairman: Peter Bøegh-Nielsen (Denmark)

Lead discussant: Berit Olsson

PAPERS:

- 1.1** Description of Pilot Surveys on Audio-visual Services, Hotels and Travel Agencies and Transport sector to be undertaken in Member States of the European Communities and EFTA-countries in 1993-1994.
by A. van Haasteren, EUROSTAT
- 1.3** Needs and Possibilities of Statistical Information on Employment in the Services Industries
by Peter Bøegh-Nielsen, Denmark Statistics, Heli Jeskanen-Sundström, Statistics Finland, Berit Olsson, Statistics Sweden
- 1.4** Methodological implications of the pilot survey on business services, undertaken by EC member states
by Peter Bøegh-Nielsen, Denmark Statistics

PRESENTATION

The papers selected for this session complemented each other Paper 1.4 deals with the statistical results and methodological feedback from a pilot survey carried out. Paper 1.1 describes the pilot surveys on audio-visual services and hotel and travel agencies which are going to be carried out by the 12 Member States of EC and some EFTA countries as well. Paper 1.3 is a contribution to future data collection as it argues for introduction of more variables on the employment issues.

The preliminary results of the Pilot Survey on Business Services carried out by eleven of the Member States of the European Community and Finland and Sweden were discussed together with the future Pilot Surveys on audio-visual services and hotels and travel agencies.

The objectives assigned by Eurostat to the pilot survey were twofold:

- to provide basic statistical information on the sectors surveyed
- to test and develop a methodology for the regular collection of statistical data to be provided on a harmonised basis by all Member States.

DISCUSSION AND CONCLUSIONS

On the basis of the papers presented and the subsequent discussion the Group acknowledged the importance of horizontal comparisons. The comparisons are important not only to analyze and compare the structure of the services sectors in different countries, but also for the methodological and conceptual feedback from the surveys.

The pilot surveys clearly showed that business services consist of very heterogeneous activities and that they need to be analysed by the breakdown into several subsectors with the use of separately modified questionnaires or modules. The analysis also showed the difficulties encountered in measuring all subsectors. For instance " Labour recruitment and provision of personnel" is an activity carried out in several countries mainly by public or semi-public bodies.

A major problem revealed by the analysis of the national survey reports is that of creating a representative sample universe. The importance of updated business registers with a satisfactory sectoral coverage was stressed by many of the participants. The need for general guidelines concerning data collection including the problems of establishing survey frames was highlighted by the participants, also in relation to the situation of the transitional countries.

Another problem discussed by the Group was the low response rate of the enterprises, as the Pilot Surveys were not compulsory in the Member States. In general the response rate was less than 50%. The need for basing surveys on bigger samples was raised. Another method of improving the low response rate was put forward, namely improved contacts with the respondents in order to improve the explanations of the variables in the questionnaires and perhaps tailor questions closer to the information available within businesses.

The pilot survey on business services had shown the need for further elaboration on the contents of the variable "employment", primarily by including a more precise definition of part time employees. In particular within the operational services, part time employees were of major importance, as they constituted nearly 50% of total employment in this subsector. There was also a need for elaboration of definitions for the following kinds of employment groups: temporary employees, free-lancers and voluntary workers, especially for the pilot survey on audio-visual services.

Future extension of the employment variable was also put forward in the presentation of the needs and possibilities of collecting statistical data on employment variables such as sex, age and education of the employees in the service sectors. The argument was that certain business services subsectors, such as professional or technical services, can be characterised as intellectual capital intensive sectors where the qualifications of the employees in many cases create the identity of the enterprises.

Finally, the problems of comparing the level of activity between subsectors by measuring the turnover - due to re-invoicing in subsectors, such as marketing and renting and leasing - were mentioned. The variable gross value added also gave problems in comparisons between subsectors, as this variable includes items, such as interest and depreciation which are of a relatively greater importance in renting and leasing than in the other subsectors.

The problems concerning interpretation of the definitions of some variables and implementation and data collection problems concerning a number of variables give a valuable feedback to the improvement of the methodological manual and the future set up of a reference framework for harmonised service sector statistics within the European Communities.

The Group drew no precise conclusions from the discussions. The items discussed were considered of major importance for the future statistical data collection, while needs for priorities and establishing a strategy for the development of service statistics were expressed.

For future work the final analysis of the pilot survey on business services should be presented to the Group. On the future pilot surveys on audio-visual services and hotels and travel agencies, preliminary reports should also be presented to the Group next year. Finally, the work concerning elaboration of variables connected with the persons employed in the services sectors should be continued and extended to more countries.

SESSION 2: HORIZONTAL COMPARISONS

Chairman: George John Sarossy (Australia)

Lead discussant: George John Sarossy

PAPERS:

- 2.1** The composition and structure of the telecommunications, audio-visual, insurance and computer services industries in Voorburg Group member countries
by G. Sarossy, W. Pattinson, G. Allen, Australian Bureau of Statistics

PRESENTATION

Australia has made an attempt to summarise and compare data from Model Surveys carried out by the Voorburg group. The comparison covers computer services, telecommunication, insurance and audio-visual services. All member countries were asked to provide summary data on the size of industries along similar lines as the Model Surveys even if they had not carried out any model survey.

Australia has found obvious differences in the data reported by participating countries, differences that must be at least partially due to methodological differences. These seem to relate particularly to scope, coverage and industrial delineation issues.

Australia has come to the conclusion that not only detailed information on individual items is important, but also guidelines on the scope and coverage for the conduct of surveys in the areas.

DISCUSSION AND CONCLUSIONS

The discussion in session 2 indicated an agreement on the problems of horizontal comparisons at this stage of development. Issues that have caused weaknesses in the comparison are for example

- the use of sources and surveys are put together
- different cut-offs for total enterprises
- some results come from compulsory surveys and some from voluntary ones.

The discussion also focused on the need for definitions/classification of totals used to calculate the overall significance of the individual industries. The relative significance of an individual industry to the total economy or total enterprises will be quite different depending on whether one uses national accounts information or register information as the base.

There were proposals to use more information from the national accounts or at least use national accounts figures as a denominator, as national accounts definitions are well harmonised between countries. But there was also a warning not to mix up comparisons between results from the Model Surveys with estimated figures from the national accounts.

The meeting considered the work undertaken to be very useful, but expressed also a desire that more work should be undertaken both by individual countries to provide more detailed information and whose differences were known for appropriate footnotes to be included in the tables.

A number of members indicated that revised information was available and that final publication of the paper should be postponed until these could be incorporated. Australia agreed to revise the paper accordingly.

The meeting considered that it could be worthwhile to continue the horizontal comparisons of the selected industries and accepted Australia's offer to assist the process.

The meeting also agreed on the need to provide more extensive guidelines on the scope coverage and classification of the industries included, but considered that the priority on what tasks should be tackled first should be left until later in the meeting when discussion had occurred on the agenda items and a clearer idea of future work program of the group had emerged.

SESSION 3: PRICES AND QUANTITIES INCLUDING BANKING

Chairman: Roger Norton (United Kingdom)

Lead discussant: John Walton

PAPERS:

- 3.1** Financial intermediation, excluding insurance and pension funds:
The 1993 SNA and aspects of country practices relating to price and volume measures of output
by Ann Chadeau, OECD
- 3.2** The Imputed Output of Banks
by Roger Norton, Central Statistical Office, United Kingdom
- 3.3** Measuring the Output of the Banks
by R. W. Collins, Statistics Canada
- 3.4** A model survey for banking, with appendix
by R.W. Collins, Statistics Canada.
- 3.5** Financial intermediation services indirectly measured
By Jacques Bournay, INSEE
- 3.6** A model survey for banking
by R. W. Collins, Statistics Canada

PRESENTATION

The current session was concerned with developing further the methodology of the output measures of financial institutions by responding to the revised SNA.

Four papers in the session (3.1, 3.2, 3.3 and 3.5) addressed the measurement of the output of financial institutions, including the value of services produced but not charged for explicitly, in current and constant prices. Paper 3.4, on a commodity classification for banking output, and paper 3.6 presenting a first revenue module of a model survey for banks both support this work.

Paper 3.1 gives a presentation of SNA recommendations and illustrates the wide range of approaches in measuring output and value added in constant prices adopted by individual countries. Paper 3.2 presents and comments on the results of a study by Department of Applied Economics, Cambridge, UK, to implement SNA recommendations on allocating output of financial institutions indirectly measured. It concludes that allocation is feasible in the UK, but many problems remain which suggest that, for the time being, implementation should be via a set of supplementary satellite accounts.

Paper 3.3 illustrates the concepts and methodology to be employed to measure output in current and constant prices in Canada. It shares the general approach of the UK paper, but is directed towards the potential importance of disaggregation. Paper 3.5 addresses the calculation of the reference rate in financial intermediation services indirectly measured.

Both presentation and discussion of the papers are structured into two parts; i.e. in current prices and constant prices.

The UK, Canadian and French papers all follow the 'reference rate' methodology which was suggested in the 1993 SNA. If the allocation is to be done, it affects all sectors and all industries. It also alters the relative contribution of the various industries to GDP.

The conceptual background is best approached from the standpoint of the treatment of interest, which appear outside the production account and within the distribution of income account of the SNA. From this standpoint, ways of dealing with the imputed output of banks fall into five categories. Among these, the "reference rate" approach remains the most practical. It introduces a sharp distinction between interest on intermediated funds (shown at a "pure" rate) and all other interest (shown as actual amounts).

Other approaches involve looking at 'what banks do' in an "unbundled" way, what are banks' products? For instance, a possible approach would be to recognise that there are partial markets for paid services provided by banks to some depositors, even though the same services are provided without charge to others, through which approach the number of operations could be counted and valued, for all customers, using the price set in the observable partial market. The product breakdown would be on similar lines, on the basis that a product is usually something which has a price. However it is not at all obvious that such approaches would make the presentation of interest flows any easier.

The 'reference rate' approach requires a clear boundary to be drawn, i.e. industries capable of intermediation, and a clear definition of what funds are being intermediated. The international recommendations about this are listed in Ann Chadeau's paper. The (full) report by DAE shows substantial property income flows of financial institutions other than those flows which they have allocated.

The reference rate approach addresses the lack of allocation, and also seems to facilitate an analysis by products, by distinguishing between imputed transactions with depositors and those with borrowers. The main problems relate to the choice of reference rate(s) and what funds are intermediated. In addition, the method may require additional data collection.

Supplementary satellite accounts - in order to be useful - need to be as detailed as the core accounts, including a complete industrial breakdown, and a set of input/output tables. Thus, not much advantage is seen in compiling separate "satellite" accounts, except perhaps in a transitional period.

Both the Canadian paper (3.3) and the DAE report (3.2) agreed that changes in interest rates, leading to changes in the interest margins, should be regarded as price changes, but there the similarity stops. In the Canadian paper, imputed output is broken down by products, defining these as different types of loans and deposits. This follows the logic of the 'reference rate' approach, since interest margins differ according to the types of loans and deposits.

Explicit and implicit service charges are regarded as joint and not separate products, however. The charges associated with a specific product (class of assets or liabilities) are combined to determine the base-year service rate. The change in total output by "product" thus is calculated by applying changes in the deflated values of assets or liabilities to base year estimates of service rates. The methodology used in the paper captures the effects of shifts between (financial) product lines, but not quality changes within a specific line.

The DAE study simply distinguishes between imputed output arising on all loans and imputed output arising on all deposits, both extrapolated from the base year in proportion to changes in the real value of loans and deposits, using an index of general price changes to revalue these. The UK thus looks separately at imputed output and invoiced output, which would be necessary if the "satellite account" approach is to be adopted.

DISCUSSION AND CONCLUSIONS

The discussion focused primarily on the output concept (the measurement of which has not been altered in the SNA) and a model survey proposed in the context of enterprise statistics. The SNA-debated issue of allocation among users was discussed to a lesser extent, thus not contributing very much to the research work now called for in the 1993 SNA context.

The group was informed by Mr. Veil, Mr. van Tongeren and Mr. Fløttum that in the revisions of the manuals on Balance of Payments, SNA and ESA respectively, the debated issue had been allocation and not the output concept. The resistance against allocation has been strong, both inside the EEA countries and from Balance of Payments statisticians, and Eurostat has decided to postpone altering treatment for several years in ESA.

Regarding the reference rate approach, Shaila Nijhowne informed the group that the financial institutions in Canada have internal pricing rules based on reference rates that vary according to terms, and these pricing rules could be used to improve the estimates of the value and allocation of financial services. Walton raised the question, "given the reference rate approach, how should products be defined". The method requires detailed information on assets and liabilities, who pays and what are the terms. These are not products in the usual interpretation of the concept. Some participants pointed out that other methods of allocation were intuitively more consistent with the way we look at banks.

Several participants argued that we should treat financial institutions in enterprise statistics in the same way as we treat all other industries. Picard was in favour of a model survey, but most of the data are already available in the financial statistics, thus it would be a survey without clients. Mr. van Tongeren stated that the financial institutions themselves do not have concepts of output, costs and value added in the SNA sense. Their concept of profit however is equal to the SNA concept of entrepreneurial income.

In conclusion, while no alternative to the fundamental concept of output in the SNA and the reference rate method of allocation had been put forward, it seemed desirable to regard the position as remaining open and as requiring further discussion. If the reference rate approach were adopted, the use of banks own internal pricing rates seemed one potentially attractive possibility.

The discussion was relatively short on constant prices, partly due to the intrinsic difficulty of this issue, and partly reflecting the fact that the current price issue still is seen as problematic with respect to the identification of products. This seems to explain some of the differences in country practices from the OECD questionnaire as well. Closest to a conclusion was the recommendation put forward by Walton to follow the classes of assets and liabilities from the Canadian paper (Collins). This means applying changes in the deflated values of assets or liabilities to base year estimates of service rates (combining actual and implicit charges). Changes in interest-rate differentials are thus assumed to represent a change in the price rather than volume of intermediation services, while volume movements of the combined services are assumed to be proportional to changes in the real value of the relevant stocks of assets or liabilities.

SESSION 4: PRICES AND QUANTITIES

Chairman: Erling Fløttum (Norway)

Lead discussant: Jan van Tongeren

PAPERS:

- 4.1** Description of prices and quantities studies to be undertaken on transport freight (N), on business services (F) and on postal and telecommunication services (D)
by D. Geradi and A. van Haasteren, EUROSTAT
- 4.2** Constant price accounting of market services in Sweden. Two selected cases.
by Eddie Karlsson, Statistics Sweden
- 4.3** Proposals for quantitative indicators in the telecommunication sector, a German approach
by Lothar Hake, Statistisches Bundesamt, Germany
- 4.4** Difficulties in the Measurement of Service Output
by Mark K. Sherwood, Bureau of Labor Statistics, USA

PRESENTATION

The main paper of the session, Mr. Sherwood's paper (4.4), deals with basic problems of measurement relevant for the whole range of services. It pinpoints and systematizes the kind of difficulties met in the measurement of service outputs, illustrated through numerous examples to state that the measurement of many service outputs is very difficult. Conceptual problems discussed are closely linked with the issues on unit of output and on quality change. Problems encountered when defining the basic unit of output have been:

- enumerating a complex bundle of services
- choosing among alternative representations of an industry's output
- accounting for the consumer's role
- the quality dimension

The Eurostat paper by Geradi and van Haasteren is a short note informing the Voorburg Group on some developments or studies taken on in three of the Member States supported by EUROSTAT. The general aim of these studies is to contribute to the development of interrelated areas of price and product statistics for services.

Mr. Hake's paper is dedicated to quantity information of service statistics more detailed than required for suitable indicators to serve the national accounts. The proposals put forward also go beyond the framework of the telecommunications model survey agreed upon by the VG.

The chairman raised the question to the participants whether the VG should co-operate in this matter to exceed the scope of the existing model survey, which during the discussion was given an affirmative answer.

Mr. Karlsson's paper describes which approaches or methods are used for market services in the national accounting calculations in constant prices in Sweden, and exemplifies various problems in wholesale and retail trade - where lack of information causes problems - and in water transport - where the problem rather is to fit all the pieces together.

DISCUSSION AND CONCLUSIONS

In the discussion, main attention was directed at the issues of bundling, strategies of approaches and the distinction between outputs and outcomes.

Mr. Lancetti (Eurostat) stressed the importance of the question of bundling of services and its effects upon the product classifications. Mr. Sherwood emphasised the need for a clear definition of output, and thus a good product classification, even to be able to develop a proper industry classification. In the case of retail trade, a clear definition of the bundle of service outputs leads towards a need to distinguish between stores selling the same product processed differently (e.g. ordinary grocery and a grocery with a delicatessen).

Picard pointed to the increasing problem of some industries having by-products in other product classes, but jointly covered by the same global contracts where only the value and price of the bundle as a whole is observable. Either the bundle as a whole has to be regarded as one service or one has to utilise the industries' internal pricing methods to have it split.

What strategies to follow was discussed at several occasions during the session. Ryten reminded the group that in real practice there are budget constraints under which one has to operate; it is a question of compilation and collecting strategy to explore how far to go in compiling a minimum set of price indicators before making assumptions. Picard emphasised that we are not always conceptually able to measure what we want to measure in which case we should resort to measure what we are able to measure, e.g. use input measures when measuring output seems impossible. Picard also argued that the title of Mr. Sherwood's paper was somewhat misleading, pointing to measurement of the changes in service output. While not counting the services but collecting samples of price and quantity change indicators of products that are provided to the consumers, he thought many of the problems in Sherwood's paper could be solved. Furthermore, many of the problems related to service output also exists for goods (e.g. unique goods, quality changes over time etc.) and have been increasing over time.

On the third main issue, the output-outcome distinction, there was a long and interesting discussion taking Sherwood's example of a band playing in an empty concert hall as the starting point.

Sherwood meant that in order to define the transacting unit we need to look at the implicit contract between the supplier and the consumer.

Sarossy stated that in this context output and outcomes are quite distinct and separate concepts. Output is the result of a set of activities from a supplier, outcomes the benefits received by the consumer, the two not necessarily being the same. If that definition is generally accepted and as long as the supplier gets paid, there is an output independent of the outcome.

Ryten agreed to this way of formulating a way out of the output-outcome conundrum, and cautioned us not to be paralysed by conundrums. We should not be probing the adequacy of our definitions by inventing extreme cases, as in extreme cases definitions do not work and we paralyse ourselves. Procedures or concepts could handle the overwhelming majority of cases acceptably well.

Main conclusions to be drawn from the discussion include considerable support for the strategy of price deflation and collecting representative price indices, to pursue a line of pragmatism, to keep in sight the important role of product classification and defining products, and not devoting too much emphasis to outcomes. Quality aspects were underlined throughout the discussion, also in unbundling of services by making quality adjustment to price indices therein - or to the price index of the bundled services in total.

As there were considerable interest to see results from the other studies mentioned - both the German study and the EUROSTAT studies - it seemed as if it was possible to have a follow-up on these at next year's meeting of the Voorburg group.

SESSION 5: MODEL SURVEYS: INSURANCE

Chairman: Jacob Ryten (Canada)

Lead discussant: Shaila Nijhowne

PAPERS:

- 5.1** Cover Note to the Revised version of Insurance Chapter of EUROSTAT's Manual on Statistics of Services
by J. Walton, EUROSTAT
- 5.2** Enterprise-based Statistics in the macro-economic Framework with Reference to Insurance
by J. Walton, EUROSTAT
- 5.3** Model Survey of Insurance with appendix
by R.W. Collins, Statistics Canada

PRESENTATION

The three papers before the Group were 5.1, 5.2 and 5.3. There was now agreement on the model of the gross output of the insurance industry.

The main changes on previous models were the following:

- Premiums and claims were now measured on an accruals basis rather than on a payments basis.
- Investment income on the technical reserves of non-life insurance enterprises was now regarded as a premium supplement, credited to the production account.
- There was full disaggregation of transactions between direct insurers and reinsurers. Reinsurers were regarded as providing a service to direct insurers which was part of the intermediate consumption of the latter.

These changes were fully compatible with the national accounts though the last one went further, in avoiding consolidation of transactions between resident insurers and resident reinsurers.

The model was also consistent with the basis of accounting commonly used by insurance enterprises and indeed designed so that the data could be obtained almost wholly from administrative sources.

Certain parts of the current price model required indirect estimation. Most important in this respect was the treatment of investment income as a premium supplement, both in regard to transactions between insurers and policy holders, and in regard to transactions between reinsurers and direct insurers. The assignment of these imputed flows to sectors (in particular non-residents) and to commodities (classes of policy) would be based, preferably, on a corresponding analysis of the technical reserves (when available in the administrative sources), or alternatively upon actual premiums.

DISCUSSION AND CONCLUSIONS

In discussion on the model at current prices, the following main points were made;

- Data available in administrative sources in countries other than Canada or the EEA countries might be less complete, for instance in regard to transactions between direct insurers and reinsurers.
- On the question of a product classification for life insurance, there was a case for distinguishing term insurance - though without going so far as the national accounts, in reclassifying term insurance as non-life insurance. It was doubtful, however, if this split was available in administrative sources.
- Despite the distinction between ordinary life insurance and pension funding in the activity classification, it was doubtful if pension funding and ordinary annuities should be regarded as separate products.
- There appeared to be a good case, for distinguishing, in the product classification for life insurance, between individual policies and group policies, and perhaps also between policies which participated in profits (bonus policies) and policies which did not.
- In insurance enterprises' accounts, the "investment return" included some capital gains as quasi-income. The Canadian and EEA models both left this treatment of capital gains unaltered. At the macro-level, however, their exclusion from the national accounts estimates should be possible.
- The Canadian paper contained a draft model survey for insurance. Members were reminded that such a "survey" did not necessarily imply any need to ask enterprises for additional information. The classification by products for life insurance suggested in this draft would be put to the EC's Task Force in November next and in consequence might need to be changed. The degree of product detail envisaged in this draft, in regard to (i) intermediate consumption and (ii) that part of gross output which was imported or exported, was considerably greater than that available in the European administrative sources.
- It was suggested that, Eurostat and Statistics Canada should agree upon a revised version of this model survey, with notes on what elements could be collapsed into less detail, which would be sent to UNSTAT for wider dissemination. In this connection, the Group was informed that the 1995

Statistical Commission would be considering the comments received by UNSTAT on the CPC.

In introduction of the topic of constant price estimates, the Group was informed that, as yet, there was no convergence of views on the methods to be employed, nor were there any specific adaptations, for insurance, of the international recommendations. In discussion, it was pointed out that there was a good starting point, a model of output at current prices with a commodity breakdown (though as yet no settled version of the latter for life insurance outputs or for intermediate inputs).

Summing up the discussion, the chairman said that he detected agreement to the proposition that Canada and Eurostat should, later this year, jointly agree on guidelines for a model survey of insurance output at current prices, and that these should:

- be distributed to the Group via the host country, with a view to encouraging members to try putting numbers into the various headings of the "survey".
- be sent to UNSTAT for wider dissemination. The subject need not be returned to at the 9th Annual Meeting of the Voorburg Group. At the 10th Annual Meeting, there might be a session to collect the experience of countries in compiling data at current prices, accompanied by, hopefully, innovative thoughts on how to deal with prices and quantities for insurance.

SESSION 6: MODEL SURVEYS MODULES 8 AND 9

Chairman: Hugues Picard (France)
Lead discussant: Heli Jeskanen-Sundstrøm

PAPERS:

- 6.1** Definition and classification of services
by M. Martini, EUROSTAT
- 6.3** A model survey for marketing research and advertising services
by Didier Cadin and Philippe Trogan, INSEE, France
- 6.4** Proposal of a Metaclassification of Services in the context of the European System of Business Statistics
by Ph. Nanopoulos, EUROSTAT

PRESENTATION

The papers presented cover two different aspects of surveys, and are therefore presented and discussed separately.

Cadin and Trogan`s paper presents a model survey for marketing research and advertising services. It is organised in the same manner as the previous papers of the same kind, i.e. questionnaires with similar structure and, sometimes, similar content. As to product classification, the CPC has been taken as the basis, with no modification required but proposals for more detailed breakdowns. In module 3 (Expenditures on goods and services for resales), a strong emphasis has been put on subcontracting. At last, as to employment, a proposal for quarterly data is made.

As regard the two EUROSTAT papers, the one by Martini has to be viewed before Nanopoulos`s. Martini`s paper argues that building a classification for services is not as straightforward as for goods. While the production of goods is linear, the productive activity of services comes back and forth according to the requirements of the user and their satisfaction. Thus, the productive activity of a service cannot be defined in the absolute, but must take into account the client and the object (person or thing) on which it is performed.

The use of six criteria and six proposed classificatory headings permit a linkage with existing classifications.

Business services are classified, at a first level, by using the criteria "for whom" (an enterprise), "by whom" (an enterprise), and "on whom" (an enterprise). At a second level, the classification involves the criteria "for what", i.e. the function, for example sales and marketing, administration, ..., and "how", for example standard operation, monitoring, ...

In order to show how the procedure works and to test it, the combination of the criteria has been used for preparing a survey on the breakdown of the turnover of business services enterprises in the Milan area. The classifications were made using, in particular, the brochures and leaflets provided by the enterprises themselves. The paper shows the results of the survey and defends the validity of the operation.

Nanopoulos' paper places the Martini proposal within the framework of the object of the European economic community (the single market) and of the European system of business statistics, which develop a common framework for all enterprises as well as specific information for the various sectors of the economy. The procedure is then placed within the work on classifications; Nanopoulos concludes that the Martini proposal should be used in the future to review the classifications of services and should be taken into account when surveys are carried out and when registers are organised.

DISCUSSION AND CONCLUSIONS

The group concluded that the proposal for a model survey on marketing research and advertising services should be viewed within the general framework of the model surveys as first presented by Statistics Canada at the 1990 meeting in Paris. It was thought that this framework should be recalled in all proposed surveys (for example, the import module is not specifically designed to measure imports by surveyed of the survey, but imports of market research and advertising services by all enterprises in the economy).

The group raised again the necessity of having detailed explanatory notes for any item in the various modules, including, in particular, accounting items which seem to cover a different scope in the various countries although they are called by the same names.

The problem of how to satisfy multiple needs in surveys was raised : this may imply increasing the number of questions or asking for more detail.

It was thought that, in all surveys, module 9 on employment should be developed in order to take into account some breakdowns (qualification, educational level) as proposed by Boegh-Nilson, Jeskanen-Sundstrom and Olsson in their paper presented during the first session of the meeting.

With regard to the proposed survey on marketing research and advertising services, it was generally found to be useful and feasible, to cover correctly the principal issues of the domains under study, although it would require some cleaning and "fine tuning". Countries were asked to test it as soon as possible and report their findings to the forthcoming meetings.

It was proposed that reference to ISIC and CPC be made in all modules whenever possible.

As to the new module 0, the meeting concluded that it was a good survey tool designed at supplementing the data collected in module 1, which could not be presented in the same detail. Its usefulness is particularly obvious in order to determine the main medium concerned by a given media representative.

Some doubts were raised about the authors' interpretation of certain headings of ISIC and CPC. This should be further investigated prior to providing a final version of the paper.

In connection with modules 0 and 1, the question of the greater or lesser specialization of the industries was raised. The questions posed were thought to be useful to determine these degrees. The conclusion of the study of the corresponding processing of the data may be that the classification (official or as proposed) were too specific and should be modified accordingly. But this can only be based on a number of coherent conclusions, which can only be drawn from field work, i.e. surveys that, hopefully, will be carried out by many countries in the near future.

The proposal for a bottom-up classification of services made by Mr. Martini was considered to be very interesting, but it appeared in a way as a formalisation of the current practice of survey statisticians when preparing enterprise surveys on sales and turnover. The system seemed to work well in the test in the Milan area. However, the group, which discussed the question of how to classify services in some earlier meetings, was of the opinion that a final appreciation on the proposal and of its possible utilization, especially as proposed by Nanopoulos, for reviewing classifications, for preparing surveys and for developing better economic registers should be discussed again, when an overall application of the procedure is completed.

The group was thus of the opinion that the work should be continued, but this should be done jointly with the national experts on services, especially on service surveys, in order to take their experiences into account and, also, to avoid duplication.

SESSION 7: CENTRAL PRODUCT CLASSIFICATION

Chairman: Walter Neece (United States)

Lead discussant: Norbert Rainer

PAPERS:

- 7.1** Some basic issues in the CPC
by Walter Neece, Bureau of the Census, USA
- 7.2** Proposed explanatory notes to the CPC divisions 94 to 99
by Hugues Picard, INSEE, France,
- 7.3** Outline of the Survey on the Service Industry by MITI
by Yoshinori Izumibe, Japan
- 7.4** Experience of Service Industry Classification in Reviewing JISC with annex
by Takao Ito, Japan
- 7.5** Management and Business Consulting Services in the CPC
by Daniel April, Statistics Canada
- 7.6** CPA documentation
by Norbert Rainer, Austrian Central Statistical Office
- 7.7** The challenges of developing service product codes
by Pamela Powell-Hill, US Bureau of the Census
- 7.8** Services classification
issued by Draft Economic Classification Policy Committee (ECPC)

PRESENTATION

The chairman opened his introduction by subdividing the eight papers into two groups, four directly related to the CPC and four dealing more generally with classification issues. He also drew the attention of the group to the papers discussed in session 5 and 6 on model surveys, in which classification issues were often raised. Among the general papers he included the Japanese papers (7.3 and 7.4) written by Mr. Izumibe and Mr. Ito, which describe their industry classification system and their data surveys for services, the issue paper on services by the US Economic Classification Policy Committee (ECPC) as described by Jack Triplett (7.8) last year and a paper by Pamela Powell-Hill (7.7) that reports about progress in the development of US product classifications for services. The other four papers deal with specific areas in the CPC or provide comments on some potential basic issues which ought to be looked at early in the revision process.

Mr. Rainer then summarized the papers. He noted that the draft in paper 7.4 for the new Japanese SIC was already the tenth revision since 1949 and wondered if this is not too often

for an activity classification. Concerning the content, he concluded that this revision puts much more emphasis on services than previous ones. He also noted that the draft had not accepted a separate category for the information industry, presumably on the basis of the same problems that led to introduction of tourism in ISIC only through a separate annex. Such industries cut across many different other established industries.

Concerning the US Issue Paper no. 6 (7.8) he noted that a distinction is made between a supply-based or production oriented and a demand-based or market oriented approach, but that in his opinion the latter is treated in two different ways. In one of them, ancillary activities are included and this creates a problem that should be dealt with when creating statistical units. He also noted that explicit attention was paid to collectibility of statistical data. Finally, he suggested a number of points for discussion:

- where are the limits of an industrial classification?
- where does the product classification come into play?
- what are the limits of a product classification?

The paper by Pamela Powell-Hill (7.7) he characterized as a progress report of the task force appointed by the ECPC to develop the US product classification for services, with the CPC as well as the CPA being important elements in the work. The task force is looking at the products in general, not tied to the industries. As an example the task force chose the sector of health products, mainly because this is a complex area in which most types of the difficulties will be met. Mr. Rainer wondered if the noted distinction between market and non-market services is relevant in a product classification. He then summarized the four specific papers. The paper on management and consulting services by Daniel April (7.5) proposes a new breakdown of the CPC groups 865 and 866, based on pilot surveys in 1989 and 1991. He summarized the research as follows: the CPC items in question are useful in general and in detail. There are parts of the CPC which are poorly described. Management services, as such, without consulting, have yet no place in the CPC. The proposals in the papers remedy these problems. Mr. Rainer wondered again whether ancillary services are meant to be included and if the two criteria mentioned (type of service and type of client) should be applied simultaneously. For agricultural consulting services this is the case, for others not.

The paper by Hugues Picard (7.2) is not only considered important as far as the proposed text is concerned, but also because it indicates some problems that were met when applying some CPC items. An important example listed concerns environmental services, which according to the author do not belong to the ISIC group or division in which they are placed. Mr. Rainer pointed out that the same items are dealt with in his own paper (7.6) on CPA documentation. This latter paper has a two-fold purpose: to describe where and why CPA deviates from the CPC and to document proposals for future revision. These objectives may also be important for the CPC.

Finally, the paper by Walter Neece was described (7.1). Mr. Rainer understood as the main message that there should be agreement and common understanding on the broad sections of classification before further defining the specific detail. While agreeing with this he added that agreement on the basic conceptual approach is needed as well. Several of the problems raised in the paper touch upon activities rather than products, but everything taken together, Mr. Rainer was convinced that many inconsistencies exist between different categories within the CPC, between headings and explanatory notes, between CPC and ISIC, as well as between

these classifications and the corresponding European nomenclatures. He concluded by saying that the examples mentioned are very convincing and should be taken into account in the next revisions of the classifications.

DISCUSSION AND CONCLUSIONS

In the discussion that followed, many different issues mentioned in the papers were further exploited. One of the more important was the treatment of ancillary services, which according to some are irrelevant for the CPC because ancillary services are not traded by definition, while others argued that one may need to recognize them because they should be followed when they are externalized and one may want to measure them in so-called functional statistics. In this context it was noted that "non-market" sometimes is interpreted as "not marketed". The first mentioned viewpoint was supported by the SNA in which ancillary services fall outside the production boundary. One participant noted that when the detail in a classification is great enough, every user can aggregate the data in his own way according to the needs of his analysis. He also said that it might be important to reconsider the paradigm of the classifications and to foresee new activities and products.

Mr. Ito then explained the background and particularities of paper 7.3. He informed the meeting that there exist around 500 pages of explanatory notes, plus many more lower level industries. He also noted that the basic structure of the classification relates to the control of ministries and agencies over the different industries and that, when drafting the classification, the possibilities of data collection were always considered. Correlation with ISIC is considered important but did not lead to adjustments yet.

The opinion was then expressed that, given the text of the explanatory notes to 8672 in document. 7.5, whole hotel chains might be classified under management operating services. It was argued, however, that this was not the idea and that the text should be made more clear.

Finally, it was suggested to discuss paper 7.6 by Mr. Rainer in the light of future work on the CPC. In doing so, the point was stressed that in the past the UN Statistical Commission asked the Group to collaborate in improving the CPC and that it might do so again in the future. The plan is to present a revised draft to it during its session in 1997. This date is approaching fast and participants were urged to cooperate as much as possible so that this draft can benefit from the experience of the group.

SESSION 8: INTERNATIONAL TRADE IN SERVICES

Chairman: Tore Halvorsen (Norway)
Lead discussant Michel Beekman

PAPERS:

- 8.1** Links between international trade and production of services: Problems and Work in Progress in the OECD Area (revised version),
by Erwin Veil, OECD
- 8.2** Development of statistics on international trade in services, for international or national analysis
by Jan van Tongeren and Mária Dunavölgyi, UNSTAT
- 8.3** Internationalisation of Services: For another approach
by Jean-Marie Nivlet, MEPSS, France.
- 8.4** Administrative Data and statistics on International Trade in Services
by Reinhold Schwarzl, Austrian Central Statistical Office
- 8.5** Reference list for international trade in services transactions
by Luca Dalpozzo, EUROSTAT
- 8.6** Defining, classifying and measuring trade transactions in professional business services
by ESIF, EUROSTAT
- 8.7** Expansion of the balance of payments framework
by J. Steven Landefeld, US. Bureau of economic analysis
- 8.8** The new macrostatistics treatment of the in bond export industry in Mexico
by Maria E. Gomez-Luna, Instituto Nacional De Estadistica, Mexico
- 8.9** The French experience on International Trade in Services
by Denis Besnard, EUROSTAT (Banque de France)
- 8.10** A methodology for statistics on activity carried out via establishment abroad by service enterprises and its implications for European policy on services
by T. Coulet and M. Lancetti, EUROSTAT
- 8.11** Ocean water transport in statistics - selected issues
by Tore Halvorsen, Statistics Norway
- 8.12** Statistical Requirements of GATT and UNCTAD in the Area of International Trade in Services Statistics
joint paper of the Secretariats of GATT and UNCTAD

PRESENTATION

The Chairman focused the discussion on two general themes. The first sub-section dealt with the special circumstances of and special needs for services trade and the second dealt with the issue of affiliated party or "establishment" trade.

Among the principal papers dealt with in the first part of the session, the paper by van Tongeren and Dunavölgyi (8.2) argues that the analytical purpose should determine the definitional structure of the statistical system. When developing statistics on exports and imports of services we should start by clarifying whether the statistics is meant for domestic production analysis like the performance of GDP or it is meant for international analysis of trade and investment flows between countries?

The answer to this question will lead to different structures, exemplified by the SNA and the IMF BoP accounting systems.

Nivlets (8.3) paper refers the statistical gap between the international trade in certain service categories and the contribution to GDP by the corresponding service industries. Nivlets message is that analysis carried out on the basis of standard BoP categories might be somewhat hazardous as far as any conclusions regarding the domestic economic impact on the service activities or industries is concerned, and he advocates strongly the link to production statistics.

Besnards (8.9) paper gives a description of the French BoP system. The French system is a semi-open system with information collected from banks and to a certain degree from direct reporting companies, very similar to enterprise surveys used elsewhere. The paper also report many very interesting findings in the French BoP system.

Among the contributing papers the ESIF (8.6) paper describes some features of international trade in professional and business services which have an impact on defining, classifying and measuring trade transactions in such services. It emphasizes the practical problems which arise in collecting the relevant data.

The paper (8.1) of mr. Veil strongly promotes the co-ordination between BoP and production statistics regarding international trade in service statistics and the paper sketches a general framework for this co-ordination.

The EUROSTAT paper by Dalpozzo (8.5) provides an exhaustive description of international trade in services statistics items. The description or list is consistent with both the IMF and the joint OECD/EUROSTAT classification items. There is also an implicit link, which is not shown, to the CPC and CPA classifications.

In the second part of the session, one of the principal papers is Coulet & mr. Lancetti, (8.10). It consists of three main parts. The first part is a preface on terminology. The second part is a more detailed discussion on how to develop a methodology for statistics on domestic establishment trade. The last part of the paper sketches a work programme for the EUROSTAT project.

Landefeld (8.7) in his paper is concerned with the alternative or supplementary concepts of trade, namely ownership based versus residence based trade. The paper discusses methodical and conceptual problems related to the US statistics on establishment trade. The paper gives a very interesting description of the work carried out by Bureau of Economic Analysis.

Gomez-Luna (8.8) describes in her paper a new statistical treatment of so-called "in-bond" export industry of Mexico, shortened to IBEI. This industry is defined as the activity carried out by a national or foreign owned enterprise in Mexico whose program of operation has been authorized by the government.

DISCUSSION AND CONCLUSIONS

In the first section the discussion focused on many of the general service issues raised by the papers (especially the papers by van Tongeren and Dunavölgyi, Nivlet, and Besnard): the differences between domestic and internationally traded services, the difficulties in measuring services trade, and hence the need for specialized statistics in measuring services; particularly the need for supplementary data on establishment trade to provide a complete picture of services trade and its delivery.

Among the major difficulties that were discussed were the problems in measuring service imports and establishment trade. Because of the large number of individuals and firms that are importers of services relative to the number of firms that are exporters of services, service imports present special difficulties for Balance of Payments compilers in countries utilising sample surveys. Because of the large number of direct payments between residents and non-residents in service transactions, service imports also present difficulties for compilers relying on bank settlements data. For most countries, especially those most heavily reliant on bank settlements data, development of establishment trade information will require a significant expansion of direct surveys. Building such a system of detailed surveys on establishment trade, trade in services carried out via establishments, or enterprises, abroad that are controlled by resident establishments or enterprises--is likely to be a long-term endeavour.

The discussion turned to possible solutions to these difficulties. Among the solutions offered were:

- use of data exchanges, especially where there are opportunities for efficiency or quality gains from such an exchange. One example might be the bilateral exchange of service exports with an important trading partner where the number of exporters for the service in question was small relative to the number of purchasers of the service in the other country.
- use of oversampling of firms expected to have service transactions, especially in economies such as the US, where trade accounts for a relatively small share of economic activity and a sample frame designed to produce data on aggregate economic activity may err significantly in producing estimates of services trade.
- use of trigger questions on general purpose surveys to help build registers of companies buying or selling international services.

- one sided statistics and exchange of information (Nivlet's paper)
- use/expansion of model surveys to collect data on sales to, or through, foreign-controlled establishments.
- use of information from the EDIFACT system to capture establishment trade that flows through the banking system.

In the second subsection, there was general agreement that a supplementary establishment-trade data system would be useful, but there was less consensus on the priority for and feasibility of developing such a framework. Several participants expressed concerns that while such a framework was useful for trade purposes and for analysis of the growing role of establishment trade, such a framework was fraught with many conceptual problems, especially their inconsistency with the more integrated SNA-BOP systems. Among the other concerns that were expressed were those concerning double counting, accurate and consistent classification of the industry of parent and subsidiary establishments, and problems of determining control vs. ownership.

Other participants acknowledged the importance of such supplementary information (see Coulet and Lancetti, the GATT and UNCTAD paper on user needs and several of the papers referred to above), but they felt that given the difficulty in developing establishment trade data and the urgent need to improve existing BOP data on services, such supplementary data must be accorded a low priority.

While the US paper (see Landefeld) demonstrates the feasibility of constructing ownership or establishment trade estimates, it was recognized that most countries do not have the necessary data to construct such estimates. Despite this paucity of data and the inherent conceptual problems with such an approach, a number of participants endorsed the need, and were optimistic about the prospects, for the development of such data. Interim steps that were suggested include:

- application of consistent definitions for direct investment, foreign-control, and establishment trade.
- development of registers of foreign-controlled firms
- collection of, and exchange of, consistently classified and defined data on trade by foreign-controlled establishments/enterprises within countries' borders.
- extension and refinement of the conceptual framework for ownership-based establishment trade estimates.

SESSION 9:

**A STRATEGY FOR SERVICE
STATISTICS**

FUTURE WORK

9TH SESSION 1994

The Voorburg Group considered at its last session in the Oslo meeting plans for its 9th. meeting to be held in Sydney, in October 1994. The Group agreed to meet at a venue selected by the ABS in the week of the 17th. of October 1994. The agenda for the meeting, which was proposed by the Chairman, accepted by members and made part of the session's proceedings, consisted of the following items:

Agenda

1. **Monday a.m.: General session:**
Including a discussion of the Australian strategy for the development of statistics developed in the countries of other participants or experiences they may have had in applying such sessions.
2. **Monday p.m.: Horizontal comparisons**
Continuing on the work started by Australia and in parallel by the Nordic countries.
3. **Tuesday a.m. and first part of p.m.: CPC**
A session designed to review and endorse the recommendations of a sub-group of the Voorburg Group instructed to consolidate all the Groups findings related to the CPC and examine the impact of such findings on the structure of the classification.
4. **Tuesday end of p.m.: Demonstration session**
The French participants will demonstrate the performance of a computer system developed at the INSEE and conceived to manage nomenclatures and to display their inter-relationship.
5. **Wednesday a.m.: Model surveys**
Additions to the stock of model surveys so far agreed to by the Voorburg Group
6. **Thursday a.m.: Prices and quantities**
This session is designed to examine additional problems on the production of basic data for the estimation of the production of services at constant prices.
7. **Thursday p.m.: General framework**
Capitalizing on Australian work designed to produce frameworks for data collection for the tourism and information technology.
8. **Friday a.m.: Employment**
Session to capitalize on work pioneered by Nordic countries on occupational distribution and educational attainment of the work force employed in service industries.
9. **Friday p.m.: Future plans**

Session designed to complete the agenda and organization of Group's Tenth session

Session organizers

The following agreed to serve as organizers of individual sessions:

Session	Organizer
1.	George Sarossy
2.	Lothar Hake
3.	Shaila Nijhowne
4.	Hugues Picard
5.	INSEE
6.	UK CSO
7.	Australian Bureau of Statistics
8.	Peter Boegh Nielsen
9.	Jacob Ryten

Organizers will look after associates and will propose chairmen and discussants for the sessions of which they are in charge.

TENTH SESSION (1995)

The Group agreed that the subject of establishment trade would be placed on the agenda of its tenth session (1995) and that Stephen Landfeld (BEA, USA) would be the organizer of the discussion.

STATISTICAL COMMISSION

At its meeting held in September 1993, the Working group of the Statistical Commission requested from the Voorburg Group a substantive paper for presentation at the commission's next regular session to be held in February 1995. The Voorburg Group accepted the charge and decided that the paper would be a consolidation of all its findings and proposed changes to the CPC as well as an analysis of the strengths and weaknesses of the CPC revealed to date. In order to produce such a paper the Group also decided to name a sub-group drawn from among participants. The following were named:

1. Michael Beekman (focal point)
2. Shaila Nijhowne
3. INSEE (to be named subsequently)
4. Norbert Rainer
5. Nils Lngkjær
6. ABS (to be named subsequently)
7. BEA/Bureau of the Census (to be named subsequently)

In addition UNSTAT will assign one member of its staff to be associated with the deliberations of the sub-group.