

**STRATEGIC VISION OF THE  
VOORBURG GROUP ON SERVICES STATISTICS  
FOR 2005-2008**

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## **INTRODUCTION**

In the last two decades, there has been considerable development in the statistical coverage of services in many countries. By the same token, the dynamism that characterizes the service sector of the economy and the increased interest and focus from the policy makers on this sector have put more pressure on statistical agencies to produce better and more comprehensive statistical data. In the context of scarce resources, the development of new statistical measures for complex service activities called for better planning of the international and national statistical production and more collaboration between statistical agencies to answer these emerging user needs. In this spirit, the Voorburg Group was created to act as an active forum to develop new classification, new concepts, new methodologies and best practices related to the measurement of the service sector of the Gross Domestic Product (GDP).

In order to do so, the Voorburg Group has established a Bureau which is in charge of setting the work plan for the Group. There has been a practice of setting up work plans over periods of three years to deal with important gaps in the areas such as: service price indices, classification, turnover statistics and information society.

Over the years, the Group has successfully developed an international classification for service products, a model survey for the collection of output measure and a series of papers describing best practices for service price indices. It has also undertaken discussion on many other topics such as the information society, the short-term indicators, international trade in services to name only a few.

However, this blooming of activities of the Group associated with the broadening of the agenda and a wider participation has given rise to some criticisms. The last meeting of the Group held in September 2004 in Ottawa coincided with the end of a three year work plan (2001-2004) and, it was felt that the time had come to reflect on the future of the Group. In this context, the Bureau took the opportunity during its 19<sup>th</sup> meeting to invite two of the founders of the Voorburg Group, Ivan P. Fellegi and Jacob Ryten to give a critical review of the Group's work and to provide insights on its relevance and its future.

The two speakers pointed out a number of issues and problems facing the Group, which generated a lot of discussions and brainstorming about the mandate and the future work program. Following these discussions the Group mandated the Voorburg Bureau to review the focus and modalities of the Group, and to prepare a Strategic Vision describing the mandate, the role and the work plan for the future of the Voorburg Group to be presented at the next United Nation Statistical Commission in March 2005.

This Strategic Vision paper presents the results of the discussions and brainstorming on the issues and the choices facing the Voorburg Group. It also presents a proposal for its role, responsibilities and work program to be discussed and vetted at the next United Nation Statistical Commission in March 2005. The paper is divided into five main sections. The first section provides the reader with the historical background on the creation of the Group, followed by a second section presenting the issues and choices. The third and fourth sections propose the vision and a work plan for the Group, ending with a last section on the consultation with the United Nation Statistical Commission (UNSC).

The Voorburg Bureau:

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## 1. HISTORICAL BACKGROUND<sup>2</sup>:

The Voorburg Group was founded in 1987 at the initiative of Ivan P. Fellegi and a few of his colleagues from other statistical agencies. The name of the Group was derived from the location of the first meeting in Voorburg, The Netherlands. At first, the idea was not so much to create a Group, but to find solutions to a number of problems that could not be resolved otherwise. The idea of its creation came about for a number of reasons.

First, it originated from the fact that there was a lack of available resources for international bodies such as the United Nations Statistical Division (UNSD) to carry out conceptual and developmental work and more specifically on services. It was clear that more resources were needed to deal with the new issues and challenges especially for services. But this was not the only reason.

The second reason had to do with the fact that service is a conceptually difficult area to deal with. In fact, given the difficulties of defining what are a service product and the huge diversity of different outputs produced by the many service industries, it was perceived that no single conceptual and empirical approach could be easily developed through the traditional mechanisms used until then by the statistical community. At the time it was thought that these difficulties could only be approached: *“through work that cycled through in an iterative manner... involving a great deal of flexibility, and a cycle of generating promising ideas which would be tested in practice, and subsequently modified in light of empirical findings”*<sup>3</sup>

The third reason for creating a Group was that it was perceived very important to regroup and coordinate the work of individual statistical agencies which had the comparative advantages to make some progress in the area of services. This was to ensure that:

- i) it would be possible to convert the widest scope possible of services industries;
- ii) the approaches would converge; and
- iii) countries with fewer resources would be able to benefit from the sharing of best practices.

This resulted in the creation of the Voorburg Group, which was not to be another forum for the exchange of information but, a group of countries with interest and capacity to carry on developmental work between and during meetings, following well-established rules and time-table. The primary objective behind the creation of the Group was:

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<sup>2</sup> This section of the paper draws on the historical summary given by Ivan P. Fellegi and Jacob Ryten in their keynote addresses at the 19<sup>th</sup> meeting of the Voorburg Group in September 2004 in Ottawa.

<sup>3</sup> Fellegi, Ivan P. (2004) Keynote address at the 19<sup>th</sup> meeting of the Voorburg Group in Ottawa, September.

*“to establish an internationally comparable methodology for measuring the deflated or constant dollar outputs of the service industries.”<sup>4</sup>*

The success of the development of the CPC, an important element to measure services, was in great part due to the commitment and accountability of the contributing countries and good project management by the Bureau. Responsibility of the Voorburg Group ended when the product was handed to the United Nations Statistics Division for preparing the draft statistical standard which would then be adopted by the Statistical Commission. One of the tasks of this body is getting wide input from all member countries, including those who did not participate in the preparation of the initial draft.

Although the Voorburg Group has been quite successful over the years in delivering some tangible outputs, it has also been criticized in the recent past on a number of fronts. The next section reviews what are the main criticisms and issues.

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<sup>4</sup> Fellegi, Ivan P. (2004) op. cit.

## 2. ISSUES AND CHOICES<sup>5</sup>

### **Unfocused Agenda**

There is a perception that the agenda has become too unfocused. When comparing the work agenda for the years 2001-2004 with the agenda of the early nineties – when most of the work was concentrated on the development of the Central Product Classification (CPC) – it is clear that the scope of the agenda has broadened enormously. In 2004, for instance, the agenda included producer prices, classification of service products, information society statistics, short term indicators and revenues by service products.

Here there are two issues: The first one is that with a broad agenda there is a danger that the meeting lose in focus what it may gain in scope. Indeed, it is much more difficult operationally to have active and focussed discussions when the topics on the agenda are broad in scope. It is more difficult to prioritize the tasks to be done, to monitor and to complete them. The second one relates to the mandate or focus of the Group. Within the context of a larger agenda, the objectives that the Group is trying to attain may not be as clear. Now, that the Group has completed the development of the CPC, what is left to be done? What is the focus of the Group, what are the next objectives to be reached and by when will they be reached? These are questions that need to be answered and clarified.

### **The size of the Group**

Over the last decade, the size of the Group has increased substantially. There are two reasons for this. The first one relates to an explicit decision of the Bureau to invite less developed countries to the meeting as observers. This was in response to a previous criticism of international organisations, such as the UNSC, accusing the Voorburg Group, as well as other city groups, of being too elitist and not providing an opportunity for less developed countries to learn from observing the best practices developed during the meetings. It was perceived from these organisations that one of the roles of the Voorburg Group was also to transmit knowledge. The second reason is a direct consequence of having a broader agenda. Indeed, a broader agenda creates difficulties for national offices to determine whom to send to the meeting. This has led to the current situation where we have, on the one hand, specialists in classification and on the other hand, specialists in price statistics. There is no doubt that the broader agenda has increased the attendance to a level where there is a need for more discipline in the process and communication if we want to encourage active participation from countries specialists. Has the attendance become too large to have focussed discussion on a specific project? This remains to be demonstrated.

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<sup>5</sup> This is a summary of the main criticisms made by many heads of statistical agencies, as well as members of the international statistical community over the years.

## **Lack of concrete timetable and tangible output**

Since the completion of the development of the CPC, there is a perception that the Group has made slower progress in developing new standards or best practices. It is well recognised that the Group has been instrumental in helping countries developing their service price index, while developing “best practice” for price indices in a number of areas, such as accounting, transportation, banking and insurance, but it seems to lack:

- i) a clear vision of what needs to be done; and
- ii) a strict timetable with end-dates for presenting finished products to the United Nation Statistical Commission (UNSC).

The issue here is that the Group was originally created to do specific developmental work with a starting date and an ending date and then pass the developmental product to the United Nation Statistical Division for its standardization and further dissemination. Without clear objectives, firm timetable and identifiable products, the Group risks to dilute its output and expose itself even more to criticisms from national and international statistical agencies.

## **Organisation of the meeting**

In the past, meetings of the Voorburg Group were organised with very specific terms of references and the whole process was based on the principles of project management. To achieve this, an organising committee called *the Bureau* was created and was responsible for identifying the projects, the tasks to be accomplished, the people responsible to do them and the timetable. With the broadening of the agenda and participation, there is a perception that the Bureau acts less as a project manager and more as a conference convener, where it tries to get input from the participating countries on work of others rather than contributing to the developmental work.

The issues here relate to the relevance of having another meeting similar to many other meetings or conferences on services, which raises the question of the usefulness of the Voorburg meetings. More specifically, the question is how different is the work of the Voorburg Group from the work done elsewhere by the other groups and institutions.

Over time the Group has reacted to some of these issues and took steps to improve its organisation and its achievements.

## **Organisation**

For instance, given the broad spectrum of topic to be covered, the Group has emphasized the importance of international co-operation both between national and international institutes in order to avoid duplication of work and to further the development of work related to definitions and methodology, needed for the future production of services statistics. As a consequence, the Group has established close co-operation with other international organizations such as the IMF regarding services PPIs, OECD (Information Society Statistics) and other UN groups (Classification).

Also, to prioritize the immense tasks of developing services statistics, the Voorburg Group at its meeting in 1998 introduced the managing tool of a 3-year work program for the period 1999-2001 with the following topics to be the core activity of the Group: Producer Price Indices (PPI) for services and the classification of service products. Other topics to be addressed were Information Society Statistics, the measurement of demand for services by enterprises and the measurement of non-market services with particular reference to the non-profit sector.

The Voorburg Group renewed the previous framework at the 2001 meeting, which for the period 2002 – 2004 consisted of a program to enable in-depth work on a very limited number of core issues (Producer Price Indices, Classifications of service activities and products and Information Society Statistics) and furthermore addressing a few ad-hoc issues (Non-profit institutions, Sales by service products and Short-term indicators) not to be dealt with at each meeting.

## **Achievements**

In addition to the development of the Central Product Classification (CPC), model surveys have been developed for computer services<sup>6</sup>, telecommunications, audio-visual services, marketing research and advertising services, and insurance services. More recently, model surveys have been developed for employment services (1997), education services (1998), demand for services (1999) and ICT usage by enterprises and households (2001-2002). The models are available in the corresponding papers on the web site of the Voorburg Group.

The decision was taken at the meeting in Madrid 2000 to develop a model for presenting international practices in different services activities concerning the measurement of PPI. Principal papers have been completed for the areas of accounting services (2001), telecommunication services (2001), legal services (2001), real estate (2001), advertising services (2002), road freight transport (2002), engineering services (2002), pre-packaged software (2003). The papers are also available on the web site of the Voorburg Group.

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<sup>6</sup> Computer Service: A Model Survey of Computer Services (Statistical Papers, Series M, No. 81)



In order to make its work available to the international statistical community and users of services statistics, the various outputs and papers from all the meetings of the Group are available at the Voorburg Group website hosted by Statistics Canada <http://www4.statcan.ca/english/voorburg/> . The Voorburg Group website has been improved by Statistics Canada to make the work of the Group in previous years more easily searchable and accessible.

Although, most criticisms have been answered, there are still a few issues to address. These are not only based on perception, but reflect some of the new realities which the Group faces. It is clear that the Group is at a turning point and needs to make some choices.

### **The choices**

At its inception, the Group was essentially confined into its role of developer of new methodologies and focused primarily on classification and output measures of the service sector of the GDP. With time, the Group evolved and changed in nature which led it to take on new roles and more responsibilities. Not only did it embrace a broader agenda, but, it implicitly and explicitly took on some new functions. Indeed, in addition to its fundamental role of developer of new concepts, methods and best practices, the Group become involved in disseminating the results of its development work and in maintaining the work completed earlier, where no other bodies could be identified to perform these functions.

For example, in the last ten years, the Voorburg Group took an explicit decision to open its meeting to observers from less advanced countries, so that they could benefit from the discussion of the contributing members. Doing so, the Group implicitly took on a new function (role) of knowledge transfer on the subject of service. This was in response to the demand of the UNSC, which felt, quite rightly, that part of the mandate of the Voorburg Group was to help knowledge transfer. It is quite clear from the recent meetings that a portion of the work agenda of the Group is dedicated in information exchanges and knowledge transfers. The item on the short term indicators and turnover statistics are good examples of the kind of subject that were explicitly put on the agenda for discussion purposes rather than for maintenance or development purposes.

The Voorburg Group at its 19<sup>th</sup> meeting in Ottawa recognised that its agenda was too ambitious and too broad and therefore decided to reduce its scope. The members agreed that, although the Voorburg Group was quite instrumental in launching the work on the measurement of the so-called information society, there were other international organisations such as the OECD that could carry out this work much more efficiently. So what is left of the mandate, scope and activities of the Group?

### 3. The Vision

In its new vision the Group re-iterates its primary objective which is to develop internationally comparable methodologies for measuring the deflated or constant dollar outputs of the service industries. In order to achieve this, the Group has chosen explicitly to articulate its work agenda over three major thrusts:

- classification
- output measures
- price indices

To fully achieve this primary objective, three major functions must be performed:

1. develop new concepts, methods and best practices
2. maintain and improve the knowledge base, and
3. disseminate best practices and knowledge transfer

The first function is the main one and has been at the core since the inception of the Group. The second one is needed, as methods and best practices evolve with time. The Voorburg Group has taken that role implicitly, where there were no other forums to deal with the issues. A similar situation arises for the third function, which is important for countries embarking on new developmental work. The recent experience of developing price indices shows that the best way of learning about constructing service price indices is to observe, participate and exchange with more advanced countries.

Table 1 presents in a nut shell the scope of the work of the Voorburg Group. As it can be seen, some of the tasks have been completed and others need to be continued. For instance, the major development work for classification for the measurement of output is completed (e.g. CPC). There is some question regarding the need for additional development work in product classification to complement the development work on service price indices. The maintenance for the CPC has been undertaken by the *Technical Subgroup of Expert Group on International Economic and Social Classification* while the dissemination function is being performed by the UN through publication of the CPC, the organisation of regional workshops and the classification web-site

On the output measures, the Group recognised having completed a great part of its work with the production of the model survey. While the UN has published the model survey as a Technical Paper, there is a need to review the model survey to see if it still stands and if it is used in the development of output measurements. Much of the work on the definition of units of measure for services outputs remains to be done and has for the most part been undertaken as a by-product of the development of service price indices. For the moment, there is no obvious forum for discussion and dissemination of the work and best practices on output measurement other than the Voorburg Group.

**Table 1 – Scope and functions of the Voorburg Group<sup>7</sup>**

|                                          | <b>Classification</b>    | <b>Output measures</b>          | <b>Price indices</b>              |
|------------------------------------------|--------------------------|---------------------------------|-----------------------------------|
| <b>Development</b>                       | CPC (work completed)     | Model surveys (work completed)  | Collected papers (in development) |
| <b>Maintenance</b>                       | UNSD Technical sub-group | Reviews of model survey         | On-going review of best practices |
| <b>Dissemination/ Knowledge Transfer</b> | UNSD                     | UN technical paper Voorburg (?) | Manual, workshops Voorburg (?)    |

**Legend:**

|                              |
|------------------------------|
| <b>Work completed</b>        |
| <b>Work almost completed</b> |
| <b>Work to be done</b>       |

The recent work agenda of the Group has increasingly been focused on the development work of the service price indices. It is clear that this should be the priority of the Group. Since, there has been a lot of progress in this area in terms of methods, it appears important to review some of the previous work to ensure coherence and that best practices are clearly identified. So some previous development work needs to be reviewed before passing it to the UNSC for dissemination and ongoing maintenance. However, in the absence of any specific mechanisms for this purpose, it is proposed that these functions continue to be performed by the group. Although, the Manual of the IMF on producer price index has drawn on some of the empirical work of the Group, it remains a reference document which is far too theoretical to be used by practitioners that needs to know the basic steps and best practices to build a specific index for a given service activity. The Ottawa Group, which is also involved with price indices, is mainly focusing on the conceptual and methodological issues of the consumer price indices. Some coordination between the two groups is needed on the development of best practices for quality adjustments, which should benefit both groups, but the operational best practices are often quite different. Moreover, the production of the consumer and producer price indices is almost always done by separate production teams and often different organisations, which would make it impossible to join the two groups in one meeting.

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<sup>7</sup> Paul Johannis presentation of the scope and functions of the Voorburg Group at the Ottawa meeting, September 2004.

#### 4. OBJECTIVES AND WORK PLAN OF THE GROUP (2005-2008)

##### Objectives

It is proposed that for the next three years, the Voorburg Group develop its work plan according to the three major thrusts and functions identified in Table 1. The main functions of the Group would remain the development of new concepts, methods and best practices. As such, more than two thirds of its work plan should be devoted to the function of development. Clearly this means for the next three years the emphasis will be put towards the development of service price indices. Some developmental activities may also be undertaken in classification and output measurement, as required to complement the work on service price indices.

The remaining work plan should be divided between maintenance and dissemination. Under the heading of maintenance, two major projects need to be done over the next three years:

- i) a review of the best practices established up until now for price indices in order to hand them to the UNSD; and
- ii) a review of the model survey to ensure that they still fit and ensure that they are still viable.

In order to attain these objectives, the Group must, in the short term, do an inventory of the work done in the recent past and establish clearly what remains to be done in terms of development of concepts, methods and best practices. This is essential for a realistic work plan in the development of best practices in the area of price indices.

##### Work Plan

As part of its work plan, the Group proposes the activities presented in Table 2.

**Table 2 – Activities and output for year 2005-2006**

| No | Activities                                                                                                                      | Output                                         | Timetable      |
|----|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------|
| 1  | Review of past best practices for service price indices                                                                         | Report of best practices to the UN             | March 2006     |
| 2  | Review of the model survey                                                                                                      | Report on the state of the art on model survey | March 2006     |
| 3  | Establishment of a work plan for the development of new best practices for service price indices                                | Detailed work plan                             | September 2006 |
| 4  | Establishment of a work plan for the development of product classification and units of measure linked to service price indices | Detailed work plan                             | September 2006 |

The first activity is essential to the development of a detailed work plan for the establishment of new best practices for service price indices. The objective is to present a report that will summarize the progress made in the recent past and to document the best practices for dissemination by the Group and the UN.

The objective of the second activity is to document the work done and to determine if the development work on the model survey is indeed completed.

The third and fourth activities will provide the detailed work plan for the next three years providing objectives to be attained (e.g. the number of service price indices to be examined in respect of their economic importance) and identifying responsibilities for carrying the work.

At the next meeting of the Voorburg Group, in September 2005, the Bureau will present the detailed work plan to be approved by the members of the Group, so that countries commit themselves and become accountable for the work of the Group.

## **Operations**

Finally, in response to some of the criticisms about the organisation of the meeting itself, the Bureau proposes to reinforce the role of the session leaders in the establishment and implementation of the work plan between and during meetings. This will ensure that the work is done during the year and that high quality products are presented to the meetings. In addition, the Bureau suggests that each session ends with a review of the work and recommendation for best practices or future work. This will allow a thorough follow up of the work done by the Group and enable an informed discussion on the future work plan of the Voorburg Group.

## 5. CONSULTATION WITH THE UNSC

However, before launching this new Vision, it is important to consult with the UNSC on the scope and functions of the Voorburg Group. To this effect, there are a number of questions that the members of the UNSC need to address, at the next meeting in March 2005, to help clarify the roles and responsibilities of the Voorburg Group:

1. Is the mandate of the Group still to establish internationally comparable methods for the proper measurement of the service sector of the economy in current and constant prices?
2. Is the function of the Group to develop concepts, methods and best practices in the areas of classification, output measures and price indices?
3. Is the function of the Group to maintain and adjust concepts, methods and best practices in the areas of classification, output measures and price indices? If not, who is responsible for it?
4. Is the function of the Group to transfer knowledge on concepts, methods and best practices in the areas of classification, output measures and price indices? If not, who is responsible for it?