



**29th Voorburg Group Meeting on Services Statistics
Dublin**

Mini presentation on
Leasing Intellectual Property and Similar Products
(ISIC/NACE 7740)

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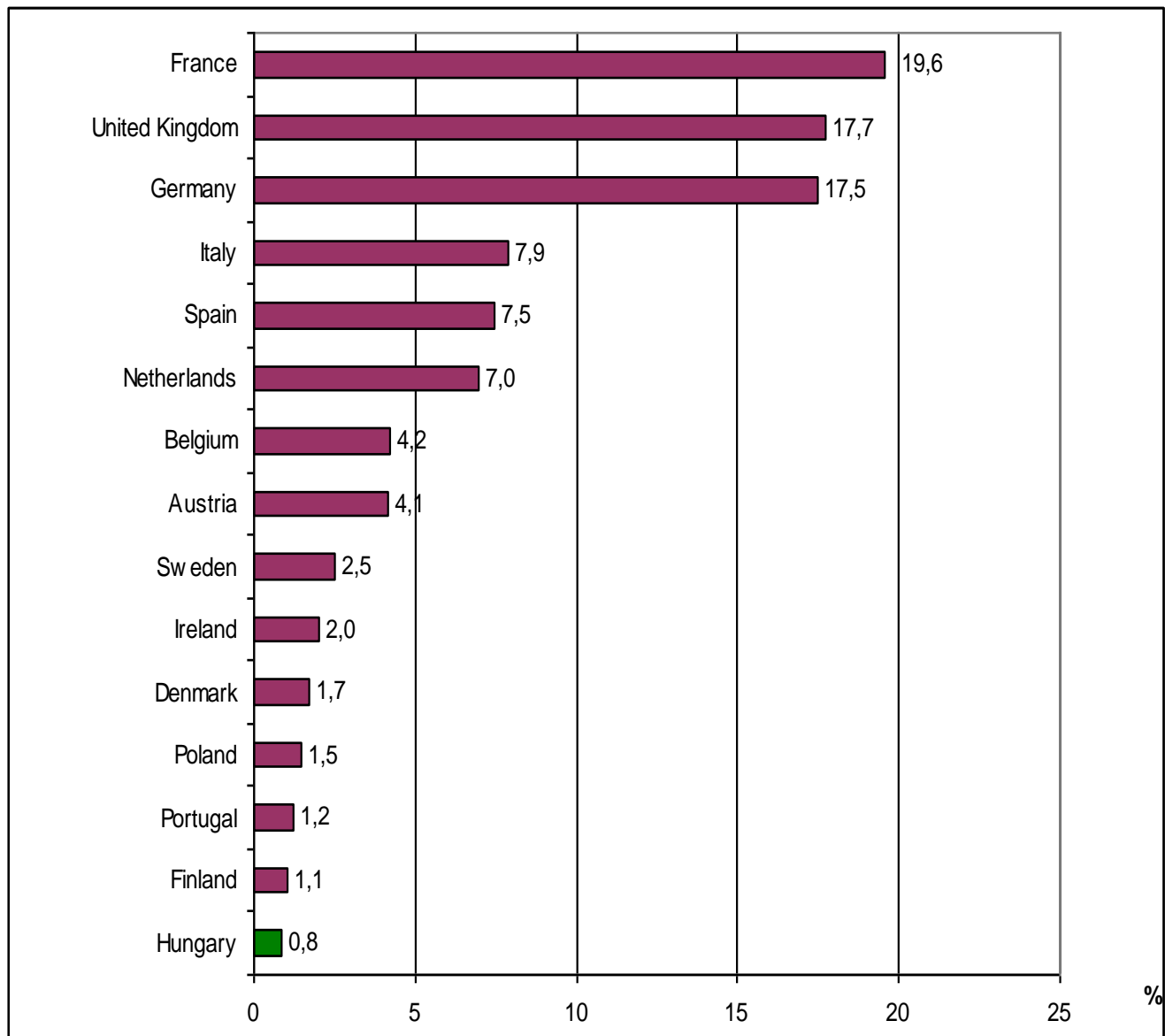
- I. Macroeconomic indicators;**
- II. Experimental survey;**
- III. CPIs as proxies;**
- IV. Collection of information;**
- V. Examples;**
- VI. Pricing methods.**

I. Macroeconomic indicators, 2010

Rental and leasing activities (N77)

NACE_R2 INDIC_SB	EU27			HU		
	Total business economy	Rental and leasing activities	%	Total business economy	Rental and leasing activities	%
Number of enterprises	21 801 180	166 920	0,8	554 886	3 375	0,6
Turnover or gross premiums written (mio EUR)	23 720 447	149 681	0,6	247 902	1 255	0,5
Value added at factor cost	5 946 968	75 448	1,3	46 158	703	1,5
Number of persons employed	1 327 980	6 311	0,5	24 373	92	0,4

Turnover (2011) in EU by the SBS statistics

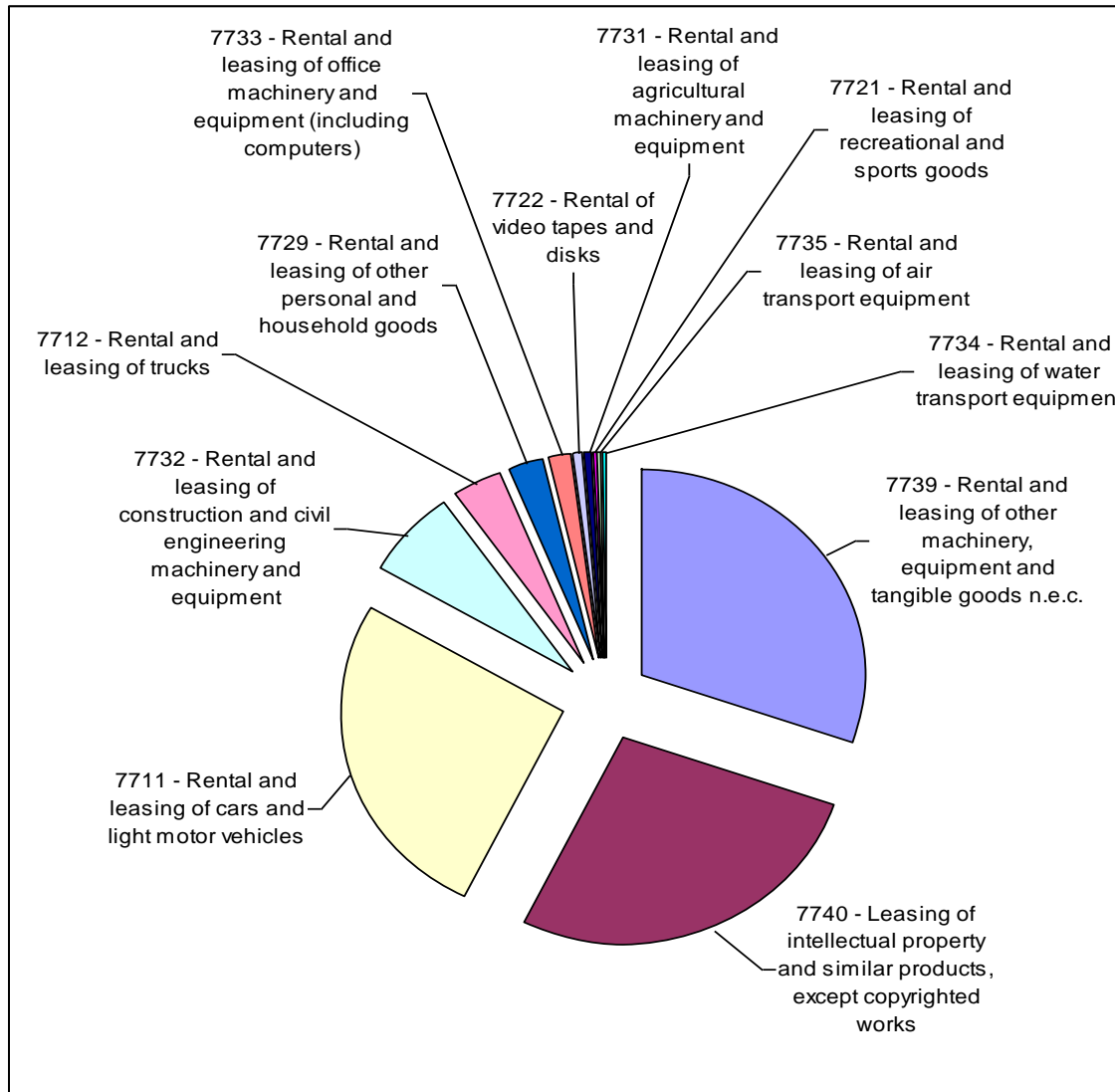


Macroeconomic indicators for 77 by employment category, Hungary, 2010

SIZE_EMP / INDIC_SB	Number of enterprises		Turnover or gross premiums written		Value added at factor cost		Number of persons employed	
		%	mio EUR	%	mio EUR	%	persons	%
Total	3 375	100,0	1 255	100,0	703	100,0	9 245	100,0
250 persons employed or more	0	0,0	0	0,0	0	0,0	0	0,0
From 50 to 249 persons employed	22	0,7	212	16,9	106	15,1	2 087	22,6
From 20 to 49 persons employed	32	0,9	179	14,2	108	15,3	1 028	11,1
From 10 to 19 persons employed	79	2,3	392	31,3	255	36,2	1 076	11,6
From 0 to 9 persons employed	3 242	96,1	473	37,7	235	33,4	5 054	54,7

Turnover in Hungary by the SBS statistics

Rental and leasing activities, 2011



Leasing of intellectual property and similar products, except copyrighted works, 7740

Number of enterprises and performance indicators

NACE Rev.2: B-J, L-N, P-S

Hungary, (2011)

NACE Rev.2	Indicators					
	Number of enterprises	%	Turnover (1000 EUR)	%	GDP (1000 EUR)	%
Total NACE'08 05-63;68-82;85-96	690 375	100,0	247.494.115	100,0	46.659.285	100,0
N	37 590	5.4	6.396.990	2,6	2.194.402	4,7
77== Rental and leasing	3 426	0,5	1.242.617	0,5	648.069	1,4
7740 Leasing of intellectual property and similar products, except copyrighted works	72	0,0	393.877	0,2	238.752	0,5

Leasing of intellectual property and similar products, except copyrighted works, 7740

Number of enterprises

Hungary, NACE Rev. 2; 77.4

Staff categories	Period of time			
	2011. year	%	2012. year	%
Unknown and 0				
1-4	67	93,1	69	90,8
5-9	2	2,8	5	6,58
10-19	2	2,8	2	2,63
20-49	1	1,4		
50-249				
250-x				
Total	72	100,0	76	100

Leasing of intellectual property and similar products, except copyrighted works, 7740

Annual structural indicators by size class

Hungary, 2011

Enterprises classified in national economic sections B to J, L to N, P to S

774= Leasing of intellectual property and similar products, except copyrighted works

Size class	Accounts					
	Number of employees (capita)	%	Turnover (thousand HUF)	%	Value-added at factor cost (thousand HUF)	%
Total Size class	110	100	118.163.154	100	71.625.632	100
1-9 employees	57	52	58.412.671	49	26.852.183	37
10 to 19 employees						
20 to 49 employees		48		51		63
50 to 249 employees						
250 and more employees						

The Turnover structure

The **turnover structure** could be described as follows (with limited coverage and quality):

- ✓ **Main activity + secondary activities** – based on data of enterprises with more than 19 employees;
- ✓ **Domestic + non-domestic/export** (by residency) – based on data of enterprises performing dual accounting;
- ✓ **Data from survey + administrative data** (e.g. for enterprises with less than 5 employees) + **imputation of data** (concerning missing data).

II. Experimental survey SPPI

The survey frame: the national Business Register;

Starting date of the observation: Q1/1014

The observation unit: enterprise;

- ✓ with the main activity *Rental and leasing activities*
- ✓ and
- ✓ classified to different industries may be also selected, if they generate significant turnover from the secondary activity related to the operations of *Rental and leasing activities*.

The sampling method: cut-off is employed.

III. CPIs as proxies

*Possible fields of
CPIs/HICP-CT as proxies
in Hungary*

CPA 2008	Name	Availability of HICP-CT	
		fully	partially
N77	Rental and leasing activities		
77.11	Rental and leasing of cars and light motor vehicles		X
77.12	Rental and leasing of trucks		
77.21	Rental and leasing of recreational and sports goods		
77.22	Rental of video tapes and disks		
77.29	Rental and leasing of other personal and household goods		X
77.31	Rental and leasing of agricultural machinery and equipment		
77.32	Rental and leasing of construction and civil engineering machinery and equipment		
77.33	Rental and leasing of office machinery and equipment (including computers)		
77.34	Rental and leasing of water transport equipment		
77.35	Rental and leasing of air transport equipment		
77.39	Rental and leasing of other machinery, equipment and tangible goods n.e.c.		
77.40	Leasing of intellectual property and similar products, except copyrighted works		

Correspondence table between CPA 2008 - COICOP 1999

(with limited coverage)

CPA 2008: CPA N 77 and 7740

CPA 2008	Name of the service	COICOP 1999	Name of the service	B2B			B2C			B2All			
				S P P I	C P I	B 2 A ll	S P P I	C P I	B 2 A ll	S P P I	C P I	B 2 A ll	B2B + B2C
N77	Rental and leasing services			↳				↳					↳
7740	Licensing services for the right to use intellectual property and similar products, except copyrighted works			↳						↳			

IV. Collection of information and specification of the service (N77)

Frequency: quarterly experimental survey

Leasing of intellectual property and similar products, except copyrighted works (ISIC/NACE 7740) industry is dominated by operations of 4 sub-categories (product groups at 6 digit level).

- ✓ 77.40.11 Licensing services for the right to use **research and development products** (e.g. IT technology; pharmaceuticals,...);
- ✓ 77.40.12 Licensing services for the right to use **trademarks and franchises** (e.g. rent a car; retail trade, fast food restaurants, hotels, ...);
- ✓ 77.40.13 Licensing services for the right to use **mineral exploration and evaluation** (oil and gas exploration);
- ✓ 77.40.19 Licensing services for the right to use **other intellectual property and similar products, except copyrighted works**.

Examples for activities within the class 7740



Hertz

Hertz Rent a Car
Hungary



DUNA HOUSE
of natural elements

HIGH CARE COSMETICS KFT.



Remark



John Daniel Hertz, Sr. (April 10, 1879 – October 8, 1961) was an American businessman, born as Sandor Herz, in Kingdom of Hungary.

His family emigrated to the Chicago when he was five.

He founded the Yellow Cab Company in Chicago in 1915 which offered taxicab service at a modest price. The distinctive yellow cabs became popular in his home city and **were quickly franchised** throughout the United States.

Hertz Firsts!

1950 : Hertz opens the first European location in France.

The content of the **general questionnaires** has been discussed by the experts of the related **trade associations** of this industry.

Example

- Hungarian Leasing Association (7711, 7740);
- Hungarian Rent a Car Association for (7711, 7740):
- ✓ A “**customized**” **questionnaire** for each respondent is under development with the help of telephone or face to face interviews.
- ✓ As a result, **pre-printed questionnaires will be used** in the possible future regular data collection

Data on **domestic** and **export services** (sold to the non-resident customers) are collected on separate pages. **Turnover data** are also collected for the previous year at CPA 4 and 6 digit-level on the SPPI questionnaire.

In Hungary for the selected price representative items as **the pricing unit of measure one license** (agreement, trademark, brand, know how for a given period, amount ect.) is considered.

The **main fields of operations** are as follows: **wholesale and retail trade** of various products (food, textile, clothing, medicine, sport equipment), rights related to the **accommodation and catering, rental and leasing of cars** in the frame of **a franchise** or a similar **network**.

VI. *Main pricing methods*

The most appropriate pricing methods – theoretically - may be the following:

- ✓ *Contract prices* of the large and representative customers: prices for licences by type of item - taking into account the same price determining factors;
- ✓ *Unit values/average prices* for the strictly defined type of licence, amount..., (e.g. per/piece, per/time period, per service package);
- ✓ *Model pricing* for unique or complex services.

Second best:

- *Averages prices* per licence for the relatively openly defined group of services;
- *Direct use of prices of repeated services* (HUF/licence, EUR/licence);
- **Using available price indices as proxies** (CPI, PPI, Construction index, other).

Deflators for regular use

In practice, however, **the collection of license fees** from related companies (users of rights) **seems to be impossible**, because of the next **reasons**:

- ✓ The users of rights are mostly in Hungary non-resident companies;
- ✓ They are located usually in several European countries, or worldwide;
- ✓ Collection of data in non-national territory seems to be very difficult, sometimes impossible (other legal rules, classifications, availability of indicators, deadlines);
- ✓ Quality issues.

Using available price indices as proxies

What pays the user of the rights?

Example for a franchise agreement (e.g. for retail trade)

$$\text{Price} = (\text{Entry fee}) + \text{License fee}$$

License fee = X% of the retail sales (turnover) accounted for the previous time period (year/quarter).

How to deflate the licence fee?

Deflator

- = index of % * deflator for retail sales
- = index of % * proxy for SPPI for retail trade
- = index of % * HICP-CT (PPI, ...
for the related product groups).

Recommendation: yearly observation of percentages (%) and use HICPs (PPIs, ...) as proxies for deflation of retail sales.

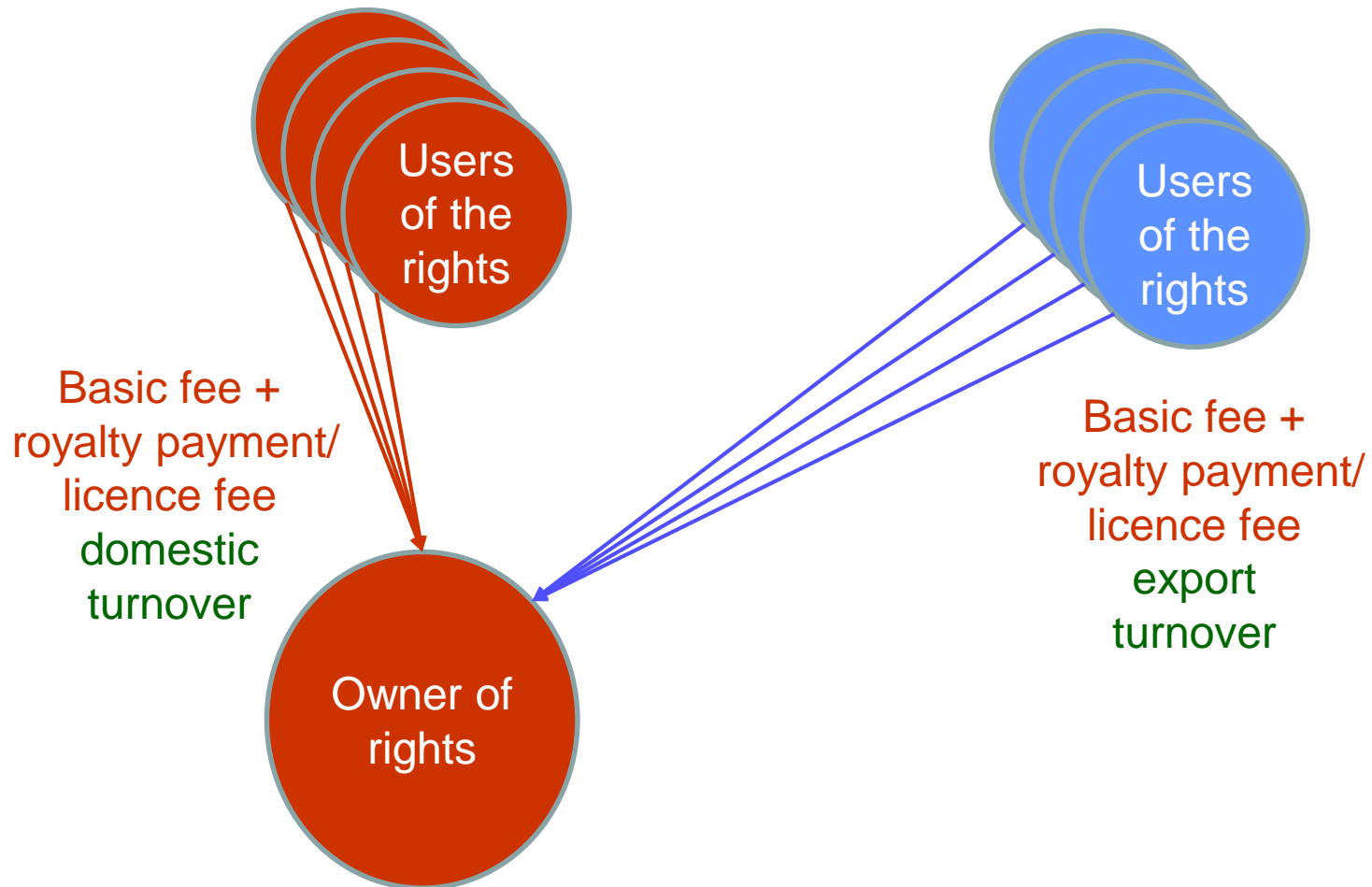
What kind of HICP-CT (PPI, ...) could be used as proxies?

Deflators for regular use

Recommendation for using indicators as proxies for **deflators** (for a regular use):

- ✓ When users of rights **are resident**, **national** indicators as proxies
 - **CPI** for retail trade (e.g. textile, shoes, electrical-, sports equipment, ...);
 - **CPI** catering trade; (e.g. fast food, ...)
 - **PPI** for wholesale (e.g. non-specialised products);
 - **PPI** for producing of a product (e.g. medicament, ...);
 - **SPPI** for services (e.g. rent a car, ...);
- ✓ When users of rights are **non-resident**
 - ✓ For **European** countries EU-level indicators, like above
 - ✓ For **non-European** countries?
 - (Using of **national** indicators * exchange rate of currency of the most important country/countries.)

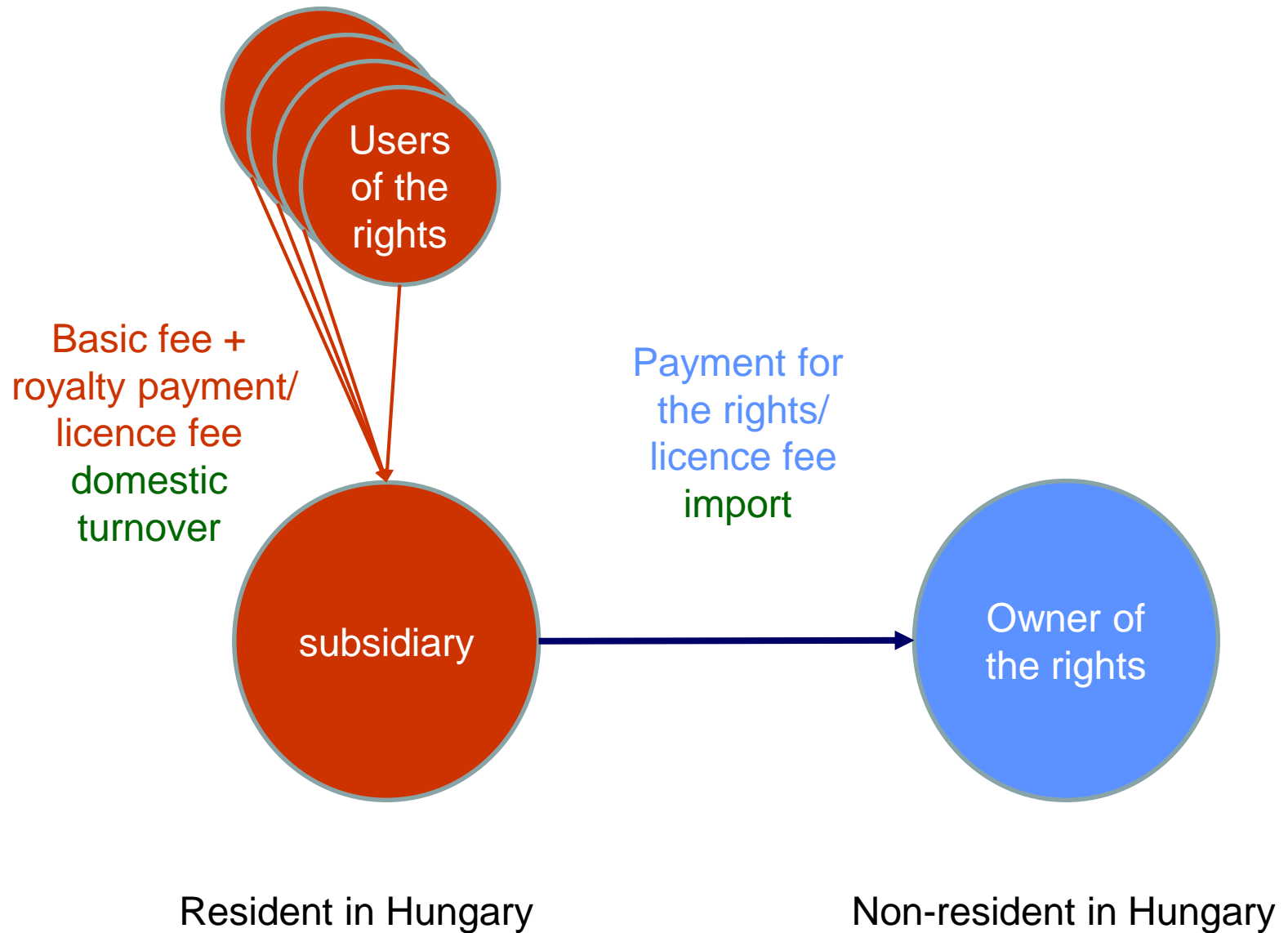
Example 1.
Market conditions/franchise (7740).



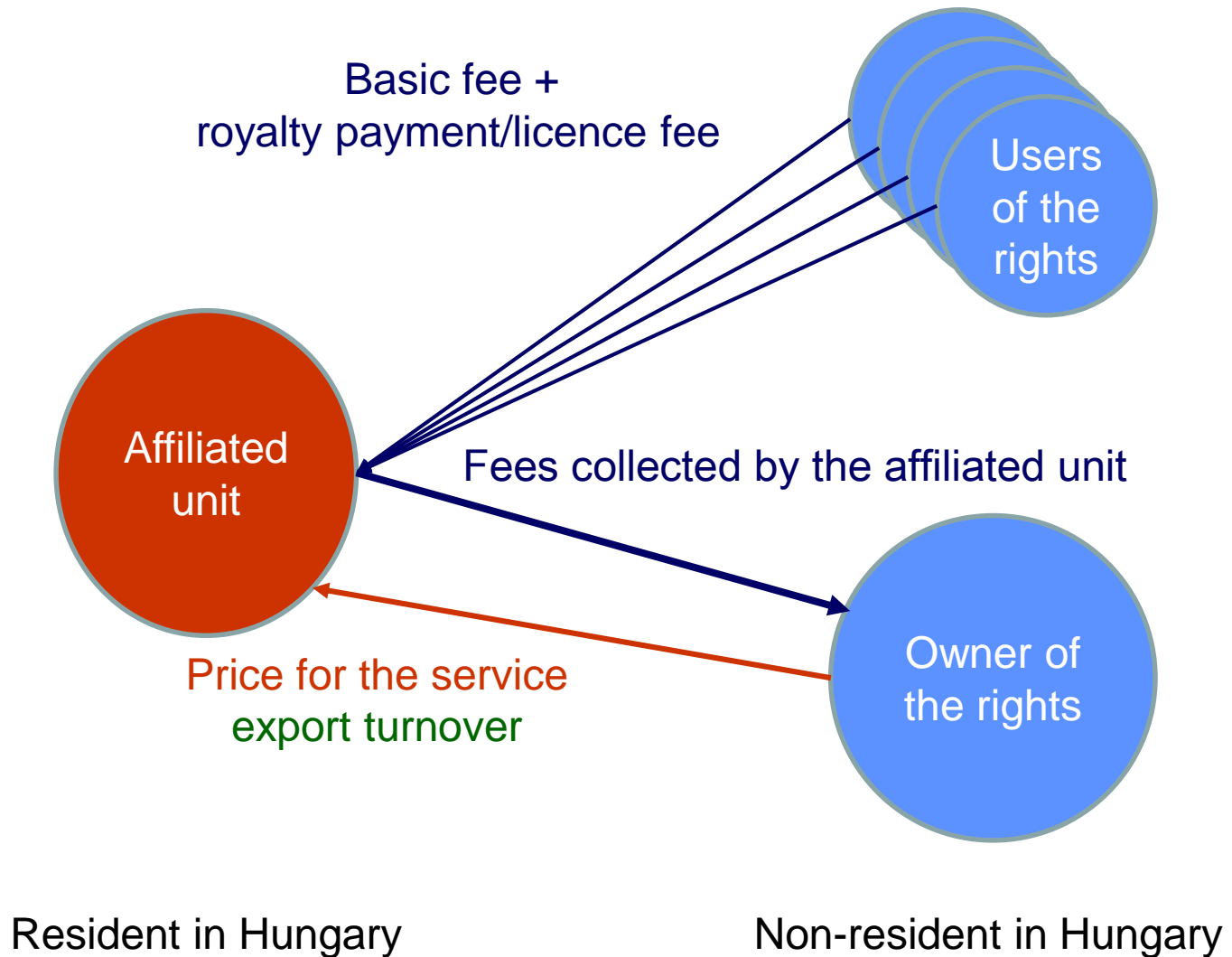
Resident in Hungary

Non-resident in Hungary

Example 2.
Market conditions/franchise (7740).



Example 3.
Market conditions/franchise? (7740).



Thank you for attention!

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