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Economic statistics: service statistics

Report of the Voorburg Group on Service Statistics

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-fourth session,** the Secretary-General has the honour to transmit the report of the Voorburg Group on Service Statistics. The Commission is requested to review the work programme of the Voorburg Group and comment on the planned activities outlined in the document.

* E/CN.3/2004/1.

** See *Official Records of the Economic and Social Council, 2003, Supplement No. 4 (E/2003/24)*, chap. I. A, para. 1.

Report of the Voorburg Group on Service Statistics

Purpose

The purpose of the Group is to address issues related to the production of services statistics, including service product outputs and inputs, the estimation of the real product of service activities, price indices of service products and industries, and their implications for product and industry classification (Central Product Classification (CPC) and International Standard Industrial Classification of All Economic Activities (ISIC)).

Participants at the five last meetings

National institutes

Australia: Australian Bureau of Statistics (1999, 2000, 2002, 2003)

Austria: Statistics Austria (2000, 2001, 2002, 2003)

Belgium: Statistics Belgium (2000)

Brazil: Instituto Brasileiro de Geografia e Estatística (2002, 2003)

Canada: Statistics Canada (1999, 2000, 2001, 2002, 2003)

China: Statistical Office of China (1999, 2000, 2001, 2002, 2003); Statistical Office of China/Hong Kong (1999, 2000, 2001, 2002, 2003), Statistical Office of China/Macao (2003)

Czech Republic: Statistical Office of the Czech Republic (2001)

Denmark: Statistics Denmark (1999, 2000, 2001, 2002, 2003)

Fiji Island: Fiji Island Bureau of Statistics (1999, 2000, 2002)

Finland: Statistics Finland (1999, 2000, 2001, 2002, 2003)

France: Institut national de la statistique et des études économiques (1999, 2000, 2001, 2002, 2003); Direction du développement des médias (2001, 2002)

Germany: Statistisches Bundesamt (1999, 2001, 2002, 2003)

Greece: National Statistical Service (2000)

Hungary: Central Statistical Office (2002)

Israel: Central Bureau of Statistics (2003)

Italy: Istituto Nazionale di Statistica (1999, 2000, 2001, 2002)

Japan: Japan Statistics Bureau (2000, 2001, 2002, 2003); Bank of Japan (1999, 2000, 2002, 2003)

Malaysia: Department of Statistics (1999, 2000, 2003)

Mexico: National Institute of Statistics and Geography (2000, 2002, 2003)

Netherlands: Centraal Bureau voor de Statistiek (1999, 2000, 2001, 2002, 2003)

New Zealand: Statistics New Zealand (1999, 2000, 2001, 2002, 2003)

Norway: Statistics Norway (1999, 2000, 2001, 2002, 2003)

Portugal: Instituto Nacional de Estatistica (2002)

Republic of Korea: Statistical Office of Korea (2000); Bank of Korea (1999, 2001, 2003)

Singapore: Department of Statistics (1999)

Spain: Instituto Nacional de Estadistica (1999, 2000, 2001, 2002, 2003)

Sweden: Statistics Sweden (1999, 2000, 2001, 2002, 2003)

Thailand: National Statistical Office (1999)

United Kingdom: Office of National Statistics (1999, 2000, 2001, 2002, 2003);
Department of Trade and Industry (2000, 2001, 2002)

United States: Bureau of the Census (1999, 2000, 2002, 2003); Bureau of Labor
Statistics (1999, 2000, 2002, 2003); United States Department of Commerce
(2002)

Viet Nam: General Statistical Office (2003)

International organizations

United Nations Statistics Division (1999, 2000, 2001, 2002)

International Monetary Fund (1999, 2000)

Organisation for Economic Cooperation and Development (OECD) (1999, 2000,
2001, 2002, 2003)

European Union: Statistical Office of the European Communities (Eurostat) (1999,
2000, 2001, 2002, 2003); DG Entreprises (2000, 2003)

European Central Bank (2000, 2001, 2002)

Statistical Institute for Asia and the Pacific (2003)

Meetings

The Group meets annually for a week. Previous meetings were held as follows:

1987 (January), Voorburg, the Netherlands

1987 (November) Stockholm

1988, Wiesbaden, Germany

1989, Ottawa, Canada

1990, Paris

1991, Helsinki

1992, Williamsburg, United States of America

1993, Oslo

1994, Sydney, Australia

1995, Voorburg, the Netherlands

1996, Newport, Wales

1997, Copenhagen
1998, Rome
1999, Christchurch, New Zealand
2000, Madrid
2001, Örebro, Sweden
2002, Nantes, France
2003, Tokyo

Topics considered

At the end of its 2001 meeting, the Voorburg Group defined its three-year programme to enable in-depth work on themes handled with some degree of priority: it consists of a limited number of core issues, supplemented with ad hoc issues which will not always be dealt with at each of the three forthcoming meetings.

The core issues were limited to the following:

1. Producer price indices (PPIs).
2. Classifications of service activities and products.
3. Information society statistics — enlarged.

The ad hoc issues are turnover by service products; short-term indicators; and non-profit institutions. Only the first was dealt with during the 2003 meeting. An additional session was devoted to the strategy to be developed in the field of service statistics.

1. Producer price indices for services

One principal paper on pre-packaged software was presented. The paper fully documented the business model, the regulatory environment and the pricing methodology (matched model with yearly update) used to survey this industry. Some time-series results were also included. In addition, documentation on the results of various countries surveying activities in this industry was presented in appendices to the paper.

The mini-presentation session is designed to introduce an industrial area for discussion of different countries surveying activities, approaches and problems. Mini-presentations were made on four industries: computer services, scheduled air transportation, sea freight and courier services. On computer services, many different countries are now surveying a variety of different computer services, using a wide range of methods (mainly selling prices by skills and model pricing). However, very little time-series data is available for analysis. In addition to developing quality adjustment methodologies for the various computer services indices, further discussion is also required to keep all countries abreast of newly developed computer services pricing. For that reason, computer services will be on the agenda every year.

A general speaker summarized all contributions dealing with scheduled air transportation, sea freight and courier services. The discussion focused on the choice

between monitoring list prices (corresponding to fixed services but not to market prices) or transaction prices (which are market prices but do not correspond to any fixed services). The difficulty of obtaining weightings at a detailed level were also expressed.

A part of the price session was devoted to the quality adjustments issue. Some papers reviewed examples of using the various quality adjustment methodologies (e.g., overlap method or cost measurement). Other papers highlighted the need for external data sources to obtain quality adjustment information. Participants were also interested in papers describing a country's experience with quality adjustment, including the general approach that a country may use.

Finally, OECD presented its updated paper, summarizing all PPI service sector-pricing activity internationally: 22 countries declared that they cover some service activities. The usefulness of such an inventory was reassessed by the participants. Anyhow, it should not be overloaded by methodological descriptions, the objective being to simplify the current questionnaire. The contact list was considered very important and care should be taken to update it regularly.

2. Classifications of service activities and products

The topic of classification was given particular emphasis at the 2003 Voorburg Group meeting. As a result, participants were given ample opportunity to provide comments and feedback on the services aspect of the planned revision of ISIC and CPC for 2007.

The revision of ISIC was first discussed during a parallel session. Two papers provided detailed comments on the ISIC structure proposal, while one presentation focused on three specific services areas: trade, transportation and storage and information. The end of the session was devoted to a discussion dealing with every services section in the ISIC structure proposal. It emerged that certain opinions were widely held among members. In general, the structure proposal is viewed as providing many improvements over the current structure. The separate identification of professional, scientific and technical services was well received, as was the introduction of an information sector. With respect to the latter, the preponderance of opinion supported the inclusion of information technology professional services in this section. Opinions were mixed on the proposed repair and maintenance section, while the general opinion was clearly against retaining a category for scenic and sightseeing transportation. In many other cases, support was expressed for certain groupings, but concern was also expressed about the level at which such groupings should be introduced in the structure. Finally, there was general agreement that the distinction between retail and wholesale trade is getting ever more difficult to determine and that implementation guidelines might be required to establish more consistent application. This was proposed as a topic for discussion at a future meeting of the Voorburg Group.

A plenary session was devoted to CPC. Five papers were given in this session, one of which provided a summary of the responses to the United Nations questionnaire as regards the scope and structure of CPC. It seems that a preponderance of opinion is emerging that CPC should be limited to cover production and that it should be organized on an industry-of-origin basis. Two papers proposed additional detail and structuring in CPC for environmental, waste management and remediation services, information and communication technology (ICT) services and the products of the

proposed information section in ISIC. The latter paper notably recommended the adoption of a framework that distinguishes content products, content delivery products and licensing products, in addition to specialized technical and business services. These proposals were in general well received. These areas were clearly recognized as priority areas for further product development in CPC. A paper on the French classification of physical and sporting activities led to a lively discussion on the nature of classification and the importance and effect of the criteria used to classify.

Overall, the classification sessions in the 2003 Voorburg Group meeting provided important feedback into the revision process for ISIC and CPC.

3. Information society statistics

The session dealt with different aspects of the topic: new survey items, new existing surveys and need for new approaches, new and fresh frameworks and measurement issue.

It was opened by a summary of an UNCTAD meeting held in Geneva in early September 2003 on the theme "Measuring electronic commerce as an instrument for the development of the digital economy". The expert meeting focused on the measurement of electronic commerce although it was quickly acknowledged that the more fundamental changes on business processes and organization must be included as well. At the very beginning, the focus might be on e-readiness and usage indicators for businesses. As a summary, some proposals for the way forward were presented, the most important one being a consensus on the selection of core indicators. A proposal was also made to provide an online forum for further discussions, and the need for an international database was briefly discussed.

Information on work done by OECD and some national statistical offices on defining and measuring electronic commerce was given through a progress report of an OECD expert group looking specifically at the measurement of electronic business processes. The expert group had proposed a definition of electronic business processes based on functionality rather than technology. A number of broad business functions were identified and described in terms of electronic business processes. The paper presented raised a number of other measurement issues, such as those linked to industry differences, size differences, intra/inter-firm networks and integration of systems. The participants shared the opinion not to launch economy-wide surveys since industries probably differ a lot with regard of their business processes. They also discussed the identification of business processes and the need for a certain priority list in the questionnaire.

Two current Norwegian data collections were presented. The first paper described the background of the establishment of statistics for the content sector for the reference year 2002, together with the definitions and delimitations of the sector. It stressed the great demand for international comparable statistics on this matter. The Voorburg Group welcomed the approach but discussed the chosen boundaries of the content sector. The lack of international agreement on the definition compels statistical institutes to be very careful when publishing such information, for which there is also a demand in other countries.

The second paper dealt with the survey on Internet service providers, which has been conducted quarterly since 2002. The survey is especially useful as a source for detailed regional information on Internet subscriptions. The Voorburg Group showed

some concern about the problems of identifying providers and the quality of any available register. It was also discussed which kind of information from providers would better answer the technology orientated items which are currently included in enterprise or household surveys.

A further paper discussed possible frameworks for the monitoring of intangibles. Intangibles can be reported in very many different ways, and the diversity of approaches gives the impression that, as far as statistical knowledge of intangibles is concerned, the situation is still very much experimental, with the players all looking at the question from their own point of view. What appears to be missing is a global overview that draws on all the different methods in order to develop a proper reporting system. The discussion raised in particular the question of the relevance of a specific approach for intangibles compared with tangible goods. The issue of intangibles was considered to be worth discussing during the future meetings.

Finally, an overview of the current situation and future directions of information society statistics in Japan, on the theme "New directions in the development of government statistical services", was given, with some results of recent surveys on ICT. The paper gave in particular valuable input for the revision of classifications in 2007, and stressed the importance of improving statistics on intellectual property.

A background document showed how the Australian Bureau of Statistics defines the concept of knowledge-based economy and publishes the results from corresponding surveys. The participants were encouraged to have a look at the Bureau's web site.

4. Turnover by product

The 2003 Voorburg Group meeting revisited the issue of services turnover by detailed products, building on previous discussions of whether an inventory should be put together to identify what is currently being done in each country to report turnover by product. Such an inventory has been established by Eurostat and Statistics Sweden on the basis of a questionnaire sent out to 47 countries. The questionnaire was completed by 25 countries.

The session started with presentations on two countries' experiences in surveying the breakdown of turnover by product. In Japan, data collection is limited to selected service industries (such as information services, communication industry, wholesale and retail trade). According to the guidelines for developing service statistics in Japan, the main objective is to help the planning of administrative policies. Since the current product categories used in the surveys are old and are due to be reviewed, there will be a careful analysis of the future priority areas in Japan.

In Brazil, a special survey for products was conducted in 2001 of companies with 20 or more employees for some modern (information sector) as well as traditional (transport activities) economic sectors of the economy. The construction of lists of products for these sectors aimed at obtaining the designation of products as a first step in the development of a national products classification for services that is internationally comparable. These lists also permit to evaluate the importance of such products based on the turnover they generate. The development of the Brazilian products classification for services is still in progress; therefore, Brazil is improving these lists of products every year with the aim of adjusting them to keep up with the reality of the companies and the new technology.

The presentation on the inventory stressed that, as expected, this inventory reinforces the “finding” of the 2002 Voorburg Group meeting, i.e., the three topics prices, turnover and classifications form an inter-linked triangle. Prices practitioners and classification experts are always cited as important users of the turnover by product statistics. It is clear that the work on both those areas benefit from the work on output data and the reverse is equally true. The discussion ended with the remark that it is important to remember that the collection of turnover by product data comes after the work on classifications and prices: product classifications and price indices are needed for output data.

5. *Strategy*

A session devoted to strategic issues has been introduced with a view to helping countries with little experience in their concern of developing service statistics. Globally, countries are confronted with user needs that demand improved statistical coverage of the services sector, and concern is frequently raised concerning the imbalance between the coverage of the manufacturing and services sectors. The session started with the presentation of future plans for service statistics elaborated by the national statistical offices of three countries (Japan, United States and France). The first two presentations focused on the description of renewed and enlarged survey systems. The third was more a list of work plans for the next five years. The aim of such presentations was to highlight some common concerns: the discussion showed that other countries are or will soon be in the situation of building a medium-term work programme, and could add their contributions at future meetings.

The OECD then proposed a strategic approach to the coordination of international development work on services statistics; at its thirty-fourth session, the Statistical Commission had requested OECD to take the lead in a project management on this matter. The proposal covers both the identification of active international working groups and work currently done, and an analysis of possible gaps or duplication of efforts, leading to suggestions on future work organization. The Voorburg Group recognized that OECD could be very helpful in raising awareness of all the work conducted at the international level, and welcomed its assistance for better coordination. Nevertheless, it is important for the Voorburg Group to keep a broad and general view on service statistics and not to be restricted to defined topics.

Products

Model Surveys

In the past, model surveys have been developed for computer services (see *Computer Service: A Model Survey of Computer Services* (Statistical Papers, Series M, No. 81)), 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.

Producer price indices for services

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), prepackaged software (2003). The papers are available on the web site of the Voorburg Group.

Inventories

An inventory of national collection of service producer prices has been drawn up since 1997 and is updated yearly. An inventory of national current practice relating to the surveying of detailed turnover by product was established in 2003 (both are also available on the Voorburg Group web site).

A complete list and all the papers presented to and discussed at Voorburg Group meetings since its inception are available on the Voorburg Group web site.

Planned activities

The next meeting will be held in autumn 2004 in Ottawa, Canada. It will again be organized with parallel sessions (for about 1.5 days), as in the last two meetings, a practice that proved very useful, leaving time for in-depth discussions, and was judged especially valuable for the price session. The results from the parallel sessions will also be presented and discussed at the plenary session in order to avoid a split-off between the delegates. The session leaders will organize their session during the first three quarters of 2004. The Voorburg Group insists on the presentation of joint papers, which is a way to emphasize common work done between meetings. The Voorburg Group recognizes work with other international bodies in order to avoid duplicate work; to that end, it will collaborate with OECD in the coordination of international work on the different topics.

Since 1998, the Voorburg Group has decided to work according to a three-year rolling programme, focusing on core issues. The 2004 meeting will correspond to the end of the second three-year programme, and the three current core issues will thus be maintained: producer price indices, classifications of activities and products, and information society statistics. The price session will continue, according to a well-established process, with the provision of reference methodology through principal papers (probably on telecommunication, courier services and scheduled air transportation) and exploratory work on other industries. The subject of classifications will still remain crucial in the context of the revision of ISIC and CPC. In particular, the discussion on the product classification would greatly benefit from the information drawn from the surveying of detailed turnover by products: it is thus proposed to combine the two topics in the same plenary session. As a conclusion of the 2003 session on information society statistics, it was regarded as important to continue to work on the measurement of ICT investments, impacts on business processes, and defining and measuring intangibles. The broad concept of a knowledge-based society, including the measurement of human capital and issues related to jobless growth, is also worth keeping it on the agenda.

OECD is leading a task force on short-term indicators for services, the aim of which is to obtain better international comparability: the expected output will be a recommendation manual. A provisional version of this manual will be presented and discussed at the 2004 Voorburg Group meeting.

The 2004 meeting will also define a new three-year work programme for the Voorburg Group. It will be important to devote some time to discuss what issues appear to be the most strategic for the coming years. In addition to a strategy session, at which statisticians will express their plans, the expectations of users of statistical information on the service sector are also expected to be considered.

The improvement of the dissemination of the information produced by the Voorburg Group, especially through its web site, has been underlined as an easy way to enlarge the audience of the Voorburg Group and to make its output available also for non-participating countries. It is planned to organize concrete work during the first half of 2004 in order to offer thematic access to the documents: this responsibility will be shared between a number of different people, specialized by broad issues. These developments will be presented for comments during the next meeting of the Voorburg Group.

Point of contact

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