Report on session “cross cutting topics - part2: manufacturing services”
Thursday 22nd of September, 2011, 16h - 17h30

Background

Session Leader:
Alain Gallais - Insee, France

Papers presented:

Manufacturing services
Authors: Sanna Nieminen – Statistics Finland, Marcus Friden - Statistics Sweden

Manufacturing services
Author: Ildikó Hamvainé Holocsy – Central Statistical Office, Hungary

Manufacturing services on inputs owned by others - and some considerations on ownership principle in new economic classifications
Author: Alain Gallais – Insee, France

Session Notes

The session began with a presentation including alternating remarks from each of the three authors. Marcus Friden focussed on the special project of copper refining in Finland for Swedish principals, Ildikó Hamvainé Holocsy on the current statistical treatment of manufacturing services in Hungary, and Alain Gallais on the global concepts and the French statistical treatment of manufacturing services.

Discussion

The session leader described the session using a series of topics for discussion:
1. What is the good and what is the service? (ownership principle)
2. How EU countries handle manufacturing services in the PPI (rather than SPPI)
3. What Sweden and Finland intend to do
4. What Hungary already does
5. What France does

The discussion and questions started with the ownership principle. Issues of goods and services come up frequently for the Voorburg Group (for example in leasing and distributive trade). The group discussed the characteristics of goods and services and reviewed the ownership of materials criterion used by UNSD. In essence, the output of a contract producer is only a service when the producer does not own the materials in that approach.

The group noted that in the input/output recommendations from the SNA, net value is the most appropriate measurement for manufacturing services and using the gross value of the goods is a provisional option.

The discussion continued with the topic of whether this is really a manufacturing (goods) question outside the scope of the Voorburg Group or if the output and price measure should be treated as a service. There was not complete agreement among all of the participants but the EU considers this a manufacturing question. A task Force led by Eurostat has written some draft guidelines on this topic. Based on the presentations, both Hungary and France use a modification of the PRODCOM survey to collect manufacturing services. France supported the position that this is an issue better addressed by PPIs for goods for a number of reasons including the PRODCOM framework, STS regulations, and because outsourcing is a very small activity for most industries.

Countries using the NAICS classification noted that there is no explicit treatment of units that outsource manufacturing transformation in the 2007 version of the classifications. North America had extensive discussions on how factoryless goods producers should be classified in the upcoming 2012 revision. While the NAICS countries did agree that the factoryless goods producers should be classified in manufacturing, the actual method used to implement that decision is not clear. The US is using an approach that addresses entrepreneurial risk and control of the production process – broadly economic ownership rather than the strict criterion of ownership of materials provided by UNSD.
The discussion continued by raising the international trade aspects of manufacturing services. Sweden uses hourly charge out rates for manufacturing services but only addresses domestic sales. This leaves untouched the case where ore from many sellers in different countries is combined for toll processing. There is also the need to address “copper production” when the ore is owned by Country A, processed in Country B, and shipped to Country C. The group did note that the physical flow of goods does not always parallel the financial flows.

The discussion wrapped up by noting that the apparent inconsistency in the measurement and reporting recommendations between the Balance of Payments Manual and the recommendations for International Trade in Merchandise procedures creates considerable challenges when producing statistics on the manufacturing services phenomena.