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Prices of services to enterprises

session 1

Abstract: Eight OECD Member countries reported that they collect prices of services to enterprises for some service activities. The number of activities surveyed can be very different from one country to another. The type of price - list, transaction or mark-up - and the type of service - simple, composite or service bundle - varies among countries and within service categories. Several countries have plans to develop price surveys in this field over the next five years. Given the methodological problems the collection of such prices raise and the scarcity of resources, the sharing of country experiences is a way to increase productivity in this area. Hence the project of setting up a data base on INTERNET, bringing together information on national practices accessible to all Members.

Questions which participants may wish to address:

- i. Should a preference be given to one of the three types of prices - list, transaction or mark-up price?**
- ii. Is there agreement on the definition of the three types of services -simple, composite or bundle?**
- iii. What further details on methods, practices and experience should be asked for?**
- iv. How much documentation on methods, practices and experience are Member countries willing to provide to feed into the data base?**

Prices of Services to Enterprises

1. This paper presents the answers to a questionnaire on prices of services to enterprises sent out by the Statistics Directorate of the OECD to Member countries in June 1997. The information gathered through the questionnaire is to be seen as a first step towards the setting up of a data base containing descriptions of methods, country practices and national experiences in the collection of prices of services to enterprises. The data base will be maintained on INTERNET to ensure access and use by all Member countries.
2. The questionnaire :
 - a) Lists the ISIC Rev. 3 service items at the three or four digit level which are likely to be purchased by enterprises.
 - b) Distinguishes between three types of price s - list prices, transaction prices and mark-up prices :
 - a list price is a price or tariff published by the service provider which can be collected by simply reading the list. List prices are gross of any discounts which some customers may be able to negotiate.
 - a transaction price is the price actually charged by the producer, after deduction of discounts.
 - a mark-up price is calculated by the Statistical Office by adding a mark-up, reported by the service provider, to the estimated cost of hours of work. This type of price is used for services consisting mainly of labour inputs.

A fourth category "Other" covers those prices which do not fit into one of the three preceeding groups.
 - c) Makes a distinction between three types of services - a simple service, a composite service and a service bundle:
 - a simple service is a standard service often measured in physical quantity units such as ton-miles, number of hours worked, etc.
 - a composite service is a service composed of a number of simple services which are necessarily produced together due to regulations, security measures or production processes. The customer is not free to choose between the services he purchases; he must purchase them all or none.
 - a service bundle is composed of a set of services negotiated between the service provider and the customer. The same service provider may not provide the same service bundle to all his customers.

A fourth category "Other" covers those types of services which do not belong to any of the three categories singled out above.
 - d) Requests respondents to state the frequency of pricing, the number of services priced each period and the start or planned date of price data collection.
 - e) Requests a brief description of quality adjustments and an indication of the index used.
3. To date, fourteen Member countries have replied of which eight were able to complete part of the questionnaire. The remaining fifteen countries are to be sent the questionnaire again, together with a copy of this paper. Australia, Canada, France, Germany, the Netherlands, Sweden, the United Kingdom and the United States collect price data for between one and twenty-four service activities. Ireland and Portugal collect no prices of services to enterprises and do not have, as yet, any plans to do so in the near future. Hungary, Korea and Switzerland, do not publish any prices of services to enterprises but plan to develop some surveys in the "medium term". Finland uses mainly service components of the consumer price index as a proxy for prices of services to enterprises.

4. Australia, Sweden and the United Kingdom report surveys planned for 1998, France reports those planned for 1998-2001. The planned surveys will cover :

- maintenance and repair of motor vehicles (UK),
- transport via railways (SW, UK),
- freight transport by road (SW),
- scheduled air transport (SW),
- cargo handling (UK),
- storage and warehousing (UK),
- telecommunications (SW, UK),
- renting of land transport equipment (FR),
- renting of agricultural machinery and equipment (UK),
- renting of construction and civil engineering machinery and equipment (FR),
- renting of office machinery and equipment (UK),
- renting of other machinery and equipment n.e.c. (FR),
- maintenance and repair of office, accounting and computing machinery (UK),
- architectural and engineering activities and related technical consultancy (FR),
- labour recruitment and provision of personnel (AU, FR),
- software consultancy and supply (FR),
- business and management consultancy activities (FR),
- data processing (FR),
- market research and public opinion polling (FR),
- legal activities (FR),
- advertising (FR).

These plans relate to activities of the service sector which are considered desirable and feasible to price.

5. The questionnaire responses are summarised in the attached Table "Summary of Answers" (the surveys planned by France reported in the Table relate to the year 1998 only; those planned for 1999 to 2001 are listed in paragraph 4 above). Additional specifications provided on coverage, type of price collected or type of service priced are indicated in the Notes to the Summary Table.

6. The prices of services to enterprises most commonly collected among the eight countries which completed the questionnaire relate to:

- the various modes of transport,
- telecommunication services,
- real estate activities,
- architectural and engineering activities,
- labour recruitment and provision of personnel.

The three types of services - simple, composite and bundles- are reported for these services, without there being a distinct preference for one of them either by country or by service activity. The other services are priced by less than four countries.

7. Frequency of pricing is usually quarterly, except for the United States where it is monthly. The number of price quotations varies greatly between countries and between service activities. Data on prices of services to enterprises mainly began to be collected after 1990; in only a very few cases are data available before 1990.

8. Quality adjustments are made by Australia, Germany, the United Kingdom and the United States. They require a close collaboration between official statisticians and service producers in order to determine what percentage of the price change reflects a change in quality of the service provided. The procedures reported by Australia, Germany, the United Kingdom and the United States are given in the Annex.

9. The type of index used, when specified, is a Laspeyres price index. The United States and the United Kingdom update weights every five years.

10. To conclude: At present, few Member countries collect prices of services to enterprises. Those which do, collect them for a varying number of service categories, using different types of prices and pricing different types of services for the same service activity. There is no discernable common approach among countries. Some countries

have plans to develop surveys for a number of service sectors for which price collection appears to be both desirable and feasible. Given these intentions, a data base which brings together documentation on country methods and practices would be useful in that it would enable national statisticians to benefit from the experience of others.

PRICES OF SERVICES TO ENTERPRISES

SUMMARY OF ANSWERS TO QUESTIONNAIRE AND NOTES

ABBREVIATIONS USED in the Summary Table

AU	Australia
CA	Canada
GE	Germany
FR	France
NL	Netherlands
SW	Sweden
UK	United Kingdom
US	United States

SUMMARY OF ANSWERS TO QUESTIONNAIRE

ISIC Revision 3		Country	Type of price collected	Frequency of pricing	Number of price quotations per period	Type of service priced	Start date
Code	Item						
1	2	3	4	5	6	7	8
502	Maintenance and repair of motor vehicles	UK	List (1) or transaction	Q		Simple service or service bundle (2)	Q3 /1997 planned
551	Hotels; camping sites and other provision of short-stay accommodation	UK SW US	Transaction (3) Transaction Transaction	Q Q M	140 130 468	Simple service or service bundle (4) Simple service Simple service	Q4/1996 1995 Jun./1993
552	Restaurants, bars and canteens	UK	Transaction (5)	Q		Simple service or service bundle (6)	
601	Transport via railways	UK US SW AU	List (7) or transaction (8) Transaction Transaction Transaction	Q Q M Q Q	 26 361 65	Simple service or composite service (9) Simple service Simple service Simple service	Q3 /1997 planned Q4/1996 Dec./1984 1998 planned Jun./1996
6023	Freight transport by road	UK US SW NL AU	List (1) or transaction Transaction Direct computation of production in constant prices Transaction Transaction	Q M M M Q/A Q	215 290 1 many variable 600	Service bundle (10) Service bundle (11) Composite service Composite service Simple service Simple service (12) or service bundle (13)	Q1/1992 Jun./1993 1997 1998 planned Sept./1996
603	Transport via pipelines	US	Transaction	M	141	Simple service	Jun./1986
611	Sea and coastal transport	UK GE US	Transaction or Average prices for commercial vehicle ferries Transaction Transaction	Q M M	104 640 104	Simple service or Composite service (9) Simple service Simple service	Q3/1996 1978 Jun./1983

SUMMARY OF ANSWERS TO QUESTIONNAIRE (cont.)

ISIC Revision 3		Country	Type of price collected	Frequency of pricing	Number of price quotations per period	Type of service priced	Start date
Code	Item						
1	2	3	4	5	6	7	8
612	Inland water transport	US	Transaction	M	178	Simple service	Dec./1990
621	Scheduled air transport	UK US SW (15) AU (16)	List (7) Transaction Transaction Transaction Transaction	Q M Q Q Q	60 280 170	Service bundle (14) Simple service Simple service Simple service Simple service	Q2/1996 Dec./1987 1996 1998 planned Sept./1996
622	Non-scheduled air transport	US	Transaction	M	82	Simple service	Jun./1992
6301	Cargo handling	UK US	Transaction Transaction	M	116	Simple service or composite service (not yet defined) Simple service	Q1 /1998 planned Dec./1991
6302	Storage and warehousing	UK US AU (18)	List (1) or transaction Transaction Transaction	Q M Q	201 100	Simple service or composite service (not yet defined) Service bundle (17) Simple service or composite service (19)	Q1/1998 planned Dec./1991 Jun./1996
6304	Travel agencies and tour operators; tourist assistance activities n.e.c.	US	Transaction	M	192	Simple service	Dec./1988
6309	Activities of other transport agencies	UK	Transaction (20)	Q	100	Service bundle (21)	Q1/1997

SUMMARY OF ANSWERS TO QUESTIONNAIRE (cont.)

ISIC Revision 3		Country	Type of price collected	Frequency of pricing	Number of price quotations per period	Type of service priced	Start date
Code	Item						
1	2	3	4	5	6	7	8
6411	National post activities	UK US GE	List (22) Transaction List	Q M M	14 24 81	Simple service Simple service Simple service	Q1/1996 Jun./1988 1950
6412	Courier activities other than national post	UK US	List (1) or transaction Transaction	Q M	149 198	Simple service Simple service	Q1/1996 Dec./1987
642	Telecommunications - telephone business - Television broadcasting	UK US GE SW CA CA	List (1) or transaction Transaction List Direct volume index and price index Transaction Transaction	Q M M M A	1265 156 	Composite service (23) Service bundle (24) Simple service Simple service Service bundle (25) Service bundle (26)	Q2 /1997 planned Jun./1995 1950 1998 to be tested 1996 1992
701	Real estate activities with own or leased properties	UK US AU (28)	Transaction - Commercially produced index of property values and rental payments, used by ONS Transaction Transaction	Q M Q	2263 612 300	Maybe composite service Services bundle (27) Simple service	Q1 /1997 Dec./1995 Jun./1995
702	Real estate activities on a fee or contract basis	UK US SW (30) AU	Only estate agents margins collected. These are applied to an index of property values Transaction Transaction Transaction	Q M A	200 1115 1500 +	Composite service (29) Simple service Simple service	Q1/1997 Dec./1995 1994 experimental 1996 full scale Sept./1989
7111	Renting of land transport equipment	US AU FR	Transaction Transaction	M M/Q	212 150	Services bundle (31) Simple service (32) or service bundle (33)	Jun./1996 1998 planned
7121	Renting of agricultural machinery and equipment	UK AU	Transaction	Q		Service bundle (34)	Q1/1998 planned. Jun./1996

SUMMARY OF ANSWERS TO QUESTIONNAIRE (cont.)

ISIC Revision 3		Country	Type of price collected	Frequency of pricing	Number of price quotations per period	Type of service priced	Start date
Code	Item						
1	2	3	4	5	6	7	8
7122	Renting of construction and civil engineering machinery and equipment	UK AU FR	Transaction - Commercially produced index of property values and rental payments used by ONS Transaction	Q Q Q	1300	Simple service Service bundle (34)	Q1/1996 Jun./1996 1998 planned
7123	Renting of office machinery and equipment	UK AU	Transaction	Q	110	Service bundle (34)	Q1/1998 planned Jun./1996
7129	Renting of other machinery and equipment n.e.c.	AU FR	Transaction	Q		Service bundle (34)	Jun./1996 1998 planned
721 + 722	Hardware consultancy . Software consultancy and supply	CA	Mark-up	A	60 (35)	Composite services (36)	1993
722	Software consultancy and supply	UK US FR	Transaction (37) Transaction	Q M	140	Simple service or contract prices for outsourcing of comprehensive IS services Service bundle (38)	Q1/1997 1998 planned
723	Data processing	AU	Transaction	Q	30	Simple service or service bundle	March/1997
725	Maintenance and repair of office, accounting and computing machinery	UK					Q1/1998 planned

SUMMARY OF ANSWERS TO QUESTIONNAIRE (cont.)

ISIC Revision 3		Country	Type of price collected	Frequency of pricing	Number of price quotations per period	Type of service priced	Start date
Code	Item						
1	2	3	4	5	6	7	8
7411	Legal activities	US UK	Transaction Model prices (40)	M Q	660 36	Service bundle (39) Composite service (41)	Dec./1996 Q1/1997
7412	Accounting, book-keeping and auditing activities; tax consultancy	UK US FR	Model prices (42) Transaction Transaction	Q M A	160 257 2400	Composite service (41) Service bundle (43) Composite service (44)	Q3/1996 Jun./1995 July/1997 under development
7421	Architectural and engineering activities and related technical consultancy	UK US AU CA FR	Model prices (45) Transaction Transaction Mark-up Transaction	Q M Q A Q	109 585 40 250	Composite service (41) Service bundle (46) Simple service or service bundle (47) Composite service (48)	Q3/1996 Dec./1995 Jun./1997 1989 1998 planned
743	Advertising	US	Transaction	M	196	Service bundle (49)	Jun./1995
7491	Labour recruitment and provision of personnel	UK US AU FR	Mark-up or transaction (50) Transaction Transaction Transaction	Q M Q M	300 67 20 1000	Simple service Simple service Composite services Simple service	Q1/1997 Jun./1994 under development 1998 planned
7492	Investigation and security activities	UK FR	List or transaction (1) Transaction	Q Q	113 450	Simple service or composite service (51) Composite service (52)	Q1/1996 1992
7493	Building cleaning activities	UK US FR	List or transaction (1) Transaction Transaction	Q M Q	194 157 300	Simple service or composite service (51) Service bundle (53) Composite service (54)	Q1/1992 Dec./1994 1995

SUMMARY OF ANSWERS TO QUESTIONNAIRE (cont.)

ISIC Revision 3		Country	Type of price collected	Frequency of pricing	Number of price quotations per period	Type of service priced	Start date
Code	Item						
1	2	3	4	5	6	7	8
7494	Photographic activities	UK	List or transaction (1)	Q	41	Simple service	Q1/1992
809	Adult and other education	UK	List or transaction (1)	Q	214	Composite service	Q1/1992
900	Sewage and refuse disposal, sanitation and similar activities	UK	List or transaction (1)	Q	184	Simple service or composite service (55)	Q1/1996

NOTES TO SUMMARY TABLE

- | | | |
|------|----|--|
| (1) | UK | List prices used only when discounting not prevalent. |
| (2) | UK | Contract prices for comprehensive fleet maintenance services. |
| (3) | UK | Only hotels and motels with restaurants - business rates. |
| (4) | UK | Conference package deals. |
| (5) | UK | Only provision of workers canteens and airline meals - charges to businesses. |
| (6) | UK | Comprehensive catering services. |
| (7) | UK | Business passenger rail or air fares. |
| (7) | UK | Freight by rail : contract prices. |
| (9) | UK | Transportation plus handling. |
| (10) | UK | Contract prices for combined transport and warehousing services. |
| (11) | US | Selected additional charges are sometimes bundled with the transport charge. |
| (12) | AU | Diverse range of activities covered from simple point to point transport of goods to full logistics service. |
| (13) | AU | Service bundle including services such as freight plus warehousing plus stock control. |
| (14) | UK | Air travel includes meals, etc. |
| (15) | SW | Domestic air transport only. |
| (16) | AU | Domestic air freight only. |
| (17) | US | Import charges bundled with storage services. |
| (18) | AU | Diverse category covering simple self storage to more complex records storage and management. |
| (19) | AU | Warehousing can include handling and distribution. |
| (20) | UK | Only freight forwarding activities. |
| (21) | UK | Total charge for arranging transportation of goods. |

- (22) UK Only business post and parcel post activities.
- (23) UK Total charge for representative baskets of services.
- (24) US Local service bills are bundled.
- (25) CA Telephone services by plan. Average revenue per minute by type of service.
- (26) CA Broadcasting of advertisement. Advertising revenues by station.
- (27) US Expenses and utilities are bundled with leases.
- (28) AU Refers to commercial property operators and developers.
- (29) UK Selling / buying / renting property services.
- (30) SW Rentals of offices.
- (31) US Selected required services bundled with rental services.
- (32) AU Simple service corresponds to renting.
- (33) AU Composite service corresponds to a fully maintained operating lease.
- (34) AU Fully maintained operating lease.
- (35) CA 60 firms surveyed for one type of service.
- (36) CA Advisory, predesign and project management are included in the price index.
- (37) UK Only supply of software and outsourcing of comprehensive IS services.
- (38) US Software sold in suites are bundled.
- (39) US Selected bills for various hourly wages are bundled.
- (40) UK Experimental small scale index.
- (41) UK Model package of services as specified by contributor.
- (42) UK Including some charge-out (external fee) rates.
- (43) US Multiple services transactions are bundled.
- (44) FR Price of a "mision" carried out for a client. "Missions" are classified beforehand.

- (45) UK Covers only part of the class - consulting engineering activities including some charge-out (external fee) rate.
- (46) US Project input costs are bundled.
- (47) AU Service bundle priced for surveying only. Bundles may vary from job to job.
- (48) CA Includes advisory, predesign, design and project management services.
- (49) US Selected contracts for multiple advertisements are bundled.
- (50) UK Mark-up prices for recruitment and transaction prices for provision of personnel.
- (51) FR Real contracts which may include one or several types of security services are priced.
- (52) FR Some contract prices for composite security services are priced.
- (53) FR Selected contracts for multiple services are bundled.
- (54) FR Real contracts including one or several types of cleaning services are priced.
- (55) FR Some composite waste disposal and sewerage services are priced.

ANNEX

Quality adjustments - Comments by:

Australia

In compiling the price indexes we attempt to identify and adjust for changes in the quality of the services priced. This involves regular contact with respondents.

Where changes in services are detected we seek both qualitative and quantitative data e.g. cost data. In general, the quality adjustment reflects the change in the costs of providing the service.

Germany

Quality adjustments in producer price statistics for services are restricted to cases where a substitution is necessitated because a priced item is no longer offered on the market.

When a replacement of a priced item is necessary, a stipulated procedure for quality adjustment is applied

1. First there is a search for a new variety, which is of the same quality as the one to be replaced or which has only minimal differences in the relevant quality characteristics. The prices of the old and the new variety are then directly compared, that is, the price change is equal to the difference of the observed prices.
2. If a new variety with relevant quality differences has to be selected, there are two possibilities. Either an expert makes an explicit estimation of the money value of the quality difference and this money value is subtracted (quality improvement) respectively added (quality deterioration) to the observed price of the new variety. Or, if an expert judgement is not available, the new variety is brought into the index showing no price change from the previous month. The implication of the link method is that all of the difference in the price between the two varieties is due to quality difference.

United Kingdom

Our approach is to seek a detailed specification for each service priced. Contributors are then asked to notify us if any aspect of the specification changes. (An example would be more intensive cleaning services under an office cleaning contract). In addition, when we identify a price change, we check with contributors that there has been no change in specification. Where a change in specification has occurred, we ask contributors to estimate the full costs (including profit) incurred, or saved, by the change. Price relatives are adjusted so that they do not reflect changes in charges that are due to specification changes.

United States

In general, the Producer Price Index does not quality adjust for changes in technology. The PPI's detailed specification pricing enables quality adjustment for changes in the service provided. When price determining features of the detailed service specification change, a value of the change is ascertained and a calculation is performed to account for this value in relation to the prices or price change reported. If that value of quality adjustment cannot be obtained or is not appropriate, then overlap prices are requested. The overlap prices are from the same time period for the same service but before and after the service change. The PPI uses net transaction prices which generally allow quantity to be held constant. For changes to the input mix of the services priced, the prices are linked showing no price change or

linked showing only the amount of price change that is not related to the input mix change, if that can be determined.

Corrigendum to OECD Paper on Prices of Services to Enterprises

Please note the corrections to be made to the United States' response to the Questionnaire on Prices of Services to Enterprises.

Code	Item	Number of price quotations per period	Start date
551	Hotels; camping sites and other provision of short-stay accommodation	863	
601	Transport via railways	361	
611	Sea and coastal water transport		Jun-86
6304	Activities of travel agencies and tour operators; tourist assistance activities n.e.c.		Dec-88
6411	National post activities		Jun-88
642	Telecommunications	1265	
7111	Renting of land transport equipment		Jun-91
7411	Legal activities	650	
7421	Architecture and engineering activities and related technical consultancy	565	Dec-95
7493	Building cleaning activities	157	
Note (17)	In-out charges bundle with storage service		