

19th Voorburg Group Meeting

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Producer price indices for

- Legal Activities Services
- Auditing Services
- Tax Consultancy Services

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Introduction

- Pilot study

The construction of producer price indices for legal activity, auditing and tax consultancy services have not yet been terminated.

- Project schedule

Start: April 2003

End: December 2004

- Publication of ppi

From 2005 on

- Experiences of cpi in the tax consultancy and legal sector

Description of the German Market (I)

(Legal Activity, Auditing and Tax Consultancy Services)

Legal Activity Services

- Target groups: lawyers, notaries and patent attorneys
- Contents of activity - representation of clients in and out of court:
 - Civil law (construction, family, fiscal, insurance, labor, renting, traffic law)
 - Administrative law
 - Commercial law
 - Social law

etc.

Description of the German Market (II)

(Legal Activity, Auditing and Tax Consultancy Services)

Auditing Services

- Contents of activity:
 - Check and approval of accounts/balance sheets
 - Evaluation of the client's economic situation
 - Management consultancy

Description of the German Market (III)

(Legal Activity, Auditing and Tax Consultancy Services)

Tax Consultancy Services

- Contents of activity:
 - Preparation of client's tax declaration
 - Bookkeeping, payroll accounting
 - Management consultancy

Special Features of the German Market (I)

Legal Activity Services

- Anglo-Saxon legal differ from European systems (Germany, France).
- The German legislative implements laws.  Anglo-Saxon follows precedence cases.
- Price calculation is regulated!
At least 50% of the legal advisors' accounts is based on legal scales of fees.

Special Features of the German Market (II)

Tax Consulting Services

- Official scales of fees (legislative grants more flexibility than it is permitted for the lawyers)

Auditing Services

- Free price negotiations: Auditors can follow the official scales of fees if they offer tax consultancy services.

Pricing behavior in % of turnover

Nace	Scale of Charge	Free price negotiations
74.11 Lawyers	60	40
74.11 Notaries	100	0
74.11 Patent a.	0	100
74.12 Auditors	5	95
74.12 Tax c.	85	15

Source: Destatis and Institut für freie Berufe Nürnberg

Index Methodology (I)

Weighting Pattern (Laspeyres)

- Weights stay stable over 5 years
- No tremendous price changes over time in the sectors

Index Methodology (I)

Current price observation (follows the peculiarities of the German market)

Scales of fee
<ul style="list-style-type: none">■ Fix fee■ Ad valorem prices

Freely contracted fee
<ul style="list-style-type: none">■ Charge-out (hourly) rate■ Flat rate (for a package of services)■ Contract prices

Index Methodology (II)

Current price observation – regulated fees

- Scales of fee
 - For more than 50% of the legal activity services
 - 4 of 5 tax consultancy cases

- Two kinds of fees
 - Fix fees – a certain amount of fee relates to a standard, less complex service
 - Ad valorem prices – the amount of fee relates to a certain value of claim (NOT proportionally rising)

Index Methodology (III)

Current price observation – freely contracted fees

- Charge-out / hourly rates
 - If free price negotiations:
Most contracts are hourly rates
 - Partly differentiated between the employee's position within the company or activity field

Index Methodology (IV)

Current price observation – freely contracted fees

- Flat rates

...are charged for a package of services within a certain period of time. The client's advantage is the fix base of calculation.

- Contract prices

For a standardized service a fee is negotiated with the client. Contract pricing is based on real transactions.

Index Methodology (V)

	Type of Fee	Inquiry Method
Scale of fees	Fix fee	Desk Research, Model Pricing
	Ad valorem	Model Pricing

Free price negotiations	Charge-out rates	Direct Inquiry
	Contract pricing	Pilot Phase
	Flat rates	Not Planned*

*due to complex contents of the cases/
and modul construction of the services

Sample Design

Direct Inquiries

- Written questionnaire (also web-based)
 - For the weighting pattern of the various activity fields
 - For the current price observation
 - To receive data about charge-out rates
- Random stratified sample
- Source is Destatis' company register
(includes classification according to turnover, number of employees, regional location, NACE / industry sector class)

Open questions

- General
 - The definition of values of claims concerning ad valorem prices is often not easy.
 - What about the integration of the productivity progress into price statistical evaluations?
- Auditing sector
 - Point of time of respondent inquiries is chosen according to auditing and tax declaration terms. What about other countries?
 - What about the handling of new contracts and therefore the definition of services?

Thank you for your attention!

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