REPORT OF THE MEETING

VOORBURG GROUP

FIFTH MEETING ON SERVICE STATISTICS

PARIS FRANCE OCTOBER 1990

VOORBURG GROUP ON SERVICE STATISTICS
Fifth meeting(Paris, 1-5 October 1990)

Report of the meeting

The meeting was opened by Mr.Jacob RYTEN (Canada) who chaired the fourth meeting of the Group in Ottawa in 1989.

The floor was given to Mr.Gérard MAAREK, Secretary General of INSEE, who, on behalf of the Director General, welcomed the participants; regretted that no representatives from developing countries were present; and extended a welcome to Mr.Jaroslav KUX from Czechoslovakia. Mr MAAREK underlined the importance of the Group's work in the international scene and suggested that it could be a model for other forms of co-operation of statistical activities. He stressed that service statistics being developed after agricultural and industrial statistics, had not yet reached the level of the latter, a fact which the Group intended to help overcome. He suggested that the Group might follow two approaches: one centered on emerging activities such as information services, and the other concerned with intangible assets and innovation. He referred to the model survey of computer services, which would be discussed during the meeting. This proposal is to be presented to the Statistical Commission at its 1991 Session and as such will be the second major contribution of the Group to the international statistical world (the first was the assistance given in compiling the CPC sections dealing with services). Other important issues on the agenda for which he considered the discussion fundamental were trade in services and the measurement of prices and quantities in services. Finally, he wished the participants a fruitful meeting and a pleasant stay in Paris.

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Election of officers. Agenda.

Mr.Hugues PICARD (F) was elected chairman for this meeting. Mr.Adriaan BLOEM (NL) was elected vice-chairman. Ms.Shaila NIJHOWNE (CDN), Messrs.Michel BEEKMAN (NL) and Erwin VEIL (OECD) were asked to be rapporteurs.

The chairman reviewed the agenda, which was adopted without changes. The agenda is added as Annex 1.

A list of participants is shown in Annex 2.

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Agenda item 1

Priorities to place on some topics in the future.
(Monday, 1 October 1990)

At the suggestion of the chairman, representatives of international organisations and EUROSTAT were asked to describe the activities of their offices on the subject under this agenda point.

Mr.NANOPOULOS (EUROSTAT) introduced the paper on "EUROSTAT activities for statistics on services":

> The goals of the programme are: (1) creation of a European framework for service statistics in conjunction with the OECD and the UN; (2) establishment of the legal environment for the implementation of the programme; (3) support to member states for the development of the statistical information system (MERCURE).
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> The programme components are mainly:
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> (1) the development of a "Service methodology" which could also be adopted by the OECD and the UN-ECE and which will be adopted as a recommendation of the EEC Council;
> (2) development of sectoral methodology for priority areas such as distributive trade; hotels, restaurants and caterers; transport; financial services; and business services;
> (3) collection of available official and non-official data and development of consolidation techniques, aiming at setting up a service information system;
> (4) conducting pilot surveys to cover the missing information areas and to build up a better knowledge of the organisation and the survey methodology in the service sectors;
> (5) development of tools such as registers, panels, questionnaires, data gathering and processing

techniques, expert systems, for the production and processing of statistical information;
(6) development of an EEC legislative frame to ensure the creation and the maintenance of the European system for statistics on services.

Mr.Mc SWEEN (UNSO) introduced the paper on the "Draft proposal for UNSO work programme in service statistics for the 1992-1993 biennium":

The UNSO paper sets out preliminary proposals concerning a set of activities in methodological development, data compilation, technical cooperation and the promotion of coordination for the work programme of UNSO for the 1992-1993 biennium. In methodological development, the focus is on the further collaboration with the Voorburg Group in establishing a format for the presentation of the draft international guidelines on the methodology of price and volume measures. In regard to data compilation, the paper proposes the introduction of an experimental data collection programme. Technical cooperation efforts comprising advisory services, national missions in response to country requests as well as the organisation of training programmes are proposed for improving services statistics in the developing countries. To promote the coordination of international efforts in services statistics, UNSO proposes a collaborative effort among international agencies to improve data compilation systems.

Mr.MALANICHEV (UN-ECE) explained the programme envisaged by his office:

EUROSTAT, the OECD and the Economic Commission for Europe (ECE) have reached an agreement to co-operate in both methodological and data collection aspects of services statistics. To this end, the ECE secretariat will submit parts of the methodological manual developed by EUROSTAT to the meeting on services statistics to be convened by the Conference of European Statisticians in March 1991. This would permit non-EC countries to comment on the manual. As for data collection, the ECE secretariat developed a questionnaire, based on the EUROSTAT manual, which would complement the existing MERCURE data base with data related to the East European countries, the Soviet Union, Albania and Yougoslavia.

Mr.VEIL (OECD) gave an overview of his Office's activities with respect to services statistics:

OECD is in the process of finalizing together with EUROSTAT and in close cooperation with the IMF a revised classification for the international trade in services, which serves also as an input into the revision of the IMF Balance-of-Payments manual.

OECD has also taken the first steps to create a group designed to address general issues of service statistics. A preparatory meeting held in July 1990 showed that this proposal meets with unanimous support by its members.

Finally, Mr.PATEL (IMF) explained the plans of the IMF Bureau of statistics in the field of services statistics:

Following the completion of the IMF/UNSO joint inquiry on national practices and selected methodological problems in August 1989, the Fund has commenced the preparation of a draft of the fifth edition of Balance of Payments Manual (BPM) to be circulated for comments to national balance of payments compilers around the middle of 1991. An annotated chapter outline of the revised BPM has already been circulated for comments to national compilers and interested international and regional organisations, including the UNSO and UNCTAD. The revised BPM contains proposals for the classification of international transactions in services as an integral part of the balance of payments and consistent with the United Nations A System of National Accounts (SNA) including proposed revisions therein. In developing these proposals, account has been taken of comments of national compilers on earlier proposals as well as work undertaken in this area by EUROSTAT and the OECD.

IMF has also commenced work on the preparation of a companion document, viz. the Balance of Payments compilation Guide (Guide). This document is intended to provide practical advice on the compilation of balance of payments including the compilation of data on international trade in services. For the preparation of this document information has been gathered from national agencies on the sources and methods of data compilation.

Emphasis was put on the fact that the collection and dissemination of data on international transactions in services within the framework of balance of payments is a responsibility of the Fund. As the fifth edition of the BPM is introduced and implemented in future, the scope of data on international trade in services would be expanded where the data base on services is somewhat deficient currently in terms of the level of detail furnished by member countries.

It was also reported that IMF has provided technical assistance in balance of payments, including trade in services statistics to a large number of countries and conducted BOP courses which, inter alia, address issues of international transactions in services, including definitional issues and practical aspects of data compilation.

In the discussion that followed, there was an expression of appreciation of the activities of the EC. Even though it was understood that EC initiatives concerned the twelve member states only, it was also recognized that the experience gained in the EC could be of importance for other countries and organisations.

Doubts were expressed as to whether UNSO plans were not too ambitious. It was felt that national needs which UNSO proposed to survey had been expressed some time ago, by the members of the Voorburg Group. UNSO should be more concerned with drafting manuals and guidelines for internationally comparable statistics on services. For this, updating the "International recommendations on Statistics of the distributive trade and services" (séries M, n° 57 of 1975) was not sufficient. There was a need for a broader document, covering the concepts and methods of compilation of services statistics and explaining how these statistics could be used for the estimation of macro-economic aggregates and for analysis.

On the question of whether simpler guidelines should be developed for developing countries, it was argued that elaborate guidelines were just as useful for developing countries, even if this led to problems of data collection.

In the course of the discussion the role of the Voorburg Group was reviewed. It was emphasized that it was not there to co-ordinate the activities of international organisations, even though in the case of the CPC it did prevent organizations from each developing its own classification. The Group could assist these organisations by helping them address important issues and set priorities. The priorities, would not necessarily coincide with the priorities of individual countries or organisations.

Mr.BLOEM introduced the paper on "Priorities in statistics on services":

> The Group was reminded of the initial aim of the survey, i.e. finding interests in common for participants to join forces in developing those service statistics areas thought to be important.
>
> In presenting the results it was mentioned that the aspects of services referred to by participants as being most important are contribution to GDP, employment and GDP growth. Furthermore, the technical problems considered to be most important to statistics on service industries dealt with the statistical universe and techniques of sampling and grossing up. Problems with estimating volume growth for specific industries like banking, insurance and business services are also deemed as needing urgent attention. As a conclusion, it was pointed out that the cited areas were also those where several countries plan efforts over the next few years for further development.

It was felt that the paper was a valuable contribution to the discussions of the Group for setting its future agenda. There was a question whether the responses given by different countries represented the views of the respondents or whether they reflected the needs of the users of statistics. From the discussion, it became clear that respondents had taken users'needs into account even though, in one case, users were limited to government departments. Moreover, countries that did not take part in the inquiry said that the priorities reflected in the report coincided with their own.

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Agenda item 2

Manuals and design of surveys
(Monday, 1 October and Tuesday, 2 October 1990)

EUROSTAT manual

An overview of the EUROSTAT methodological manual for services statistics was given by Mr.LANCETTI:

The Manual aims at establishing a framework of reference for existing enterprise statistics and at setting out the harmonisation requirements for carrying out additional data collection at European Community level.

The manual refers to the European directives on the annual accounts of enterprises and to the established statistical systems. It includes:

- methods and definitions for a coordinated annual survey of industrial activity;
- a general reference programme for statistics on enterprises in distributive trade (which take into consideration the UN recommendations contained in M57)
- the European system of integrated economic accounts.

The manual is divided into two parts:

- a general framework of enterprise statistics for services; and
- a description of the principles that apply to different sectors, namely distributive trade; hotels, restaurants, catering and travel agencies; transport activities; banking and insurance services; information, communication and business services.

For the general framework and for each of the sectors the manual describes the statistical units, classifications, economic variables and main sources of information to be used. The statistical units used are enterprises, groups of enterprises (not very developed), local units and kind of activity units (KAU). The classifications used are NACE Rev.1 for economic activities and CPC-COM for service products. Three classes of common variables are considered: structural characteristics, accounting data, data on employment. The manual will be complemented by guidelines on surveys of the service entity. A first draft of a document describing surveys and an outline of the questionnaire to be used has also been presented to the group. The method and timetable to present the manual to the OECD expert group for service statistics and to the Conference of European Statisticians have been decided.

It was mentioned that the computer services questionnaire to be discussed by the Group, could be used in the development of the EUROSTAT questionnaire.

Comments on the EUROSTAT manual pointed out that it gave the impression that by using the enterprise as a basic statistical unit, complete coverage of services could be provided. This was probably a necessary starting point because available business registers were so designed but the manual should explain that full coverage of service activities required a second stage in which data are collected for or about lower level units for multi-activity enterprises. The approach would have to be similar to that adopted for manufacturing statistics in which detailed activity and commodity data had to be collected from establishments or local units to achieve full coverage of activities and commodities.

It was also pointed out that the enterprise is the suitable unit from which to collect information but that the local unit and kind of activity unit were the ones about which production, capital and employment data shoud be collected. The enterprise was the suitable level for balance sheet and financial data.

In reply Mr.LANCETTI explained that even if the emphasis was on the enterprise, for some sectors such as hotels and distributive trade, the need for data about the local units was clearly recognised as necessary to achieve the required regional distribution. The kind of activity unit would be required to distinguish different service activities. The problem lay in the fact that whereas there is a product approach in manufacturing, there is yet a great deal of work to be done in defining service products. As a first step, surveying enterprises provides complete accountancy. It is possible to question enterprises about all the different activities in which they are engaged, whatever the classsification of each enterprise. However, the product approach is not reflected in the manual. It was agreed that some explanation and clarification could be included at the beginning of the manual, that the approach of the manual could cover all the activities of enterprises but not all the output of services. It was mentioned that comments on the sampling approach being proposed in the manual would be conveyed to EUROSTAT later.

A model survey on computer services

The paper on "A model survey of Computer Services" was presented by members of Statistics Canada:

> It was explained, by way of introduction, by Mr.RYTEN that the draft agenda of the UN Statistical Commission included a reference to the presentation of a proposal relating to computer services developed by the Voorburg Group.
>
> The paper was presented, by Mrs.NIJHOWNE who explained that questions in the form of modules are presented for use as required.

The modules were examined and discussed one after the other and some conclusions were also drawn from the New Zealand experience presented in the paper "Surveying computing services in New Zealand" which Mr.ARCHER introduced.

Module 1, sections,1, 2, 3:

The question of "systems integrators" was raised.

It had been the experience of Canada that a breakdown into resale of hardware, software and consultancy services was possible, whereas that of Sweden had been that it was not possible for system integrators to break down their contracts. It was agreed that the model questionnaire should carry the request for the detailed breakdown. Countries wishing to conduct the survey and not able to collect the breakdown would ask one question on revenues from the suppliers of integrated systems.

It was agreed that receipts of royalties which are presently included under "other revenues", would be detailed as a separate item.

It was suggested that it was important to keep or making efforts to collect information about prices and quantities. It was agreed that countries should at least inquire whether respondents could provide information on prices and quantities of outputs. It was pointed out that the introduction to the paper provided explanation for creating groups based on pricing practices. This could be used as a basis to question respondents about their capacity to report on prices.

Modules 2, 3, 4, 5:

It was agreed that in order to make the results of the survey as useful as possible, there should be a number of items asked by all countries that decided to take the model survey. Accordingly it was agreed that mandatory items for collection would be shown explicitly.

<u>Module 6 on exports</u>:

There was some debate as to whether it was feasible to collect detailed information on exports and whether it was useful, given that subsidiaries established outside the country are important suppliers of computer services . Mr.LANCETTI (EUROSTAT) explained that, according to EUROSTAT guidelines, subsidiaries established outside the country would be part of the statistics of the other country.

A paper was presented by Mrs JESKANEN-SUNDSTROM (FIN) ("<u>Trade in services and data collection</u>") which explained the difficulties faced in reconciling foreign trade statistics relating to services from records of foreign exchange transactions maintained by the Central Bank with the data from direct business surveys. The main conclusion was that the selection of enterprises to be surveyed is difficult. Data on exports are usually easier to get than data on imports. The different basis of valuation makes comparability difficult.

It was agreed that the paper would explain that this module would not cover total exports, just as in module 1, revenues from the sale of computer Services would not cover total output, unless it was also addressed to secondary producers. For example, in order to survey the exports of data bank services the questionnaires would also have to be addressed to the telecommunications industry. It was agreed that it is difficult to burden respondents with detailed questions relating to the country of destination though some can be asked.

<u>The Module on Imports</u> would have to be addressed to all businesses and even individuals.

It was agreed that <u>Module 8</u> should become an addition to Module 1, for those who wish to use it.

The usefulness and feasibility of collecting the information listed in <u>Module 9</u> was discussed:

Canada explained that it already collects this information successfully. The suggestion that the terminology used in this module should be that used for a standard R&D survey was accepted. The need to link this module with previous ones was recognised.

It was also recognised that the question addressed by <u>Module 10</u> was an important one but that there was not yet agreement on the best method of measuring the own-account or captive production of computer services. It was agreed that this module would be deleted and further research should be undertaken.

It was agreed that the modules that have been developed for the New Zealand questionnaire to collect data on Employment and Fixed Assets be incorporated.

It was also recognised that many survey takers would be using the enterprise as their basic unit and would require a balance sheet module as well as a reconciliation to the enterprise profit and loss account. Accordingly, it was agreed that this possibility would be explicitly mentioned in the introduction to the survey.

CPC

Papers on the structure and content of the CPC for computer services were presented by Mrs.OLSSON (S) and Mr.MAILLARD (F).

> The Swedish paper describes the Swedish experience and presents classes and definitions slightly different from those of Canada. Hardware consultancy services, for example, has a wider definition and system development services are disaggregated by purpose, for technical systems and for administrative systems.
>
> Mr.MAILLARD presented a paper discussing the present CPC for computer services and changes required, together with an alternative proposal and suggested definitions. In the paper an aggregation of packaged softwares, customised softwares and computer consulting services was proposed.

Considerable consensus of opinion about the feasibility of its application and the need for collapsing some and creating new categories emerged as a result of the work of Canada, Sweden and France. It was agreed to include a category for system maintenance. It was also agreed that a category for computer facility management should be created. Other differences were a matter of nomenclature and description and of detail or aggregation rather than of substance.

Finally, the meeting aggreed that the Canadian/New Zealand model survey on computer services, amended by Statistics Canada according to the remarks and suggestions made during the discussions, will be sent to the UN Statistical Commission accompanied by a letter of transmittal from the Group.

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Agenda item 3

Expenditures on intangible types of capital
(Tuesday, 2 October 1990)

Mr.HILL (OECD) presented an overview of the problems raised by intangible assets in the context of the SNA revision (the treatment of this area is not finally resolved as yet and will be a major agenda point for the December 1990 meeting of the SNA Experts Group).

Two aspects have to be distinguished :

a. the production of a prototype or master copy, and
b. the subsequent production and sale of a great number of copies.

While the nature of the copies is not controversial (they represent output whose value includes the creative work incorporated in the prototype), the nature of the prototype can be conceived of in different ways: as fixed capital, as intangible asset, as work in progress or as change in stocks. The subsequent sales of copies can be interpreted as a rundown of stocks, as a provision of services, as the realisation of income from property, or as capital consumption. Each interpretation has different implications for the SNA.

The treatment of expenditure for exploration and research and development (R&D) is also open. While, so far, such expenditures by goverments were treated as final public consumption and by enterprises as intermediate consumption, they are now often considered as part of capital formation. Major problems are now to value output and to calculate capital consumption (particularly the estimation of the useful life).

On the subsequent discussion M.KOLL (S) and M.COLLINS (CDN) expressed a preference for including the production of prototypes and the expenditure for research and development in the capital formation, MM.PARKER (USA) and FLOTTUM (N) had reservations about this wider concept of capital, and Mr.MULLER (F) proposed an intermediate solution: R&D expenditures by enterprises in the business sector should be treated as capital formation, but not the corresponding expenditure by other sectors; intangible assets produced by enterprises are to be capital formation, and those produced by households if sold.

Mr.CAMUS presented his paper on the "French experience in extending annual surveys on enterprises to expenditures on intangible types of capital":

He pointed out that no regular surveys are made, but experimental work on certain components is done. This work draws on the business accounting system; certain expenditures, such as on advertising, R&D, and softwares, are extracted from profit and loss accounts.

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Agenda item 4

International trade in services
(Wednesday, 3 October 1990)

Mr.HOEKMAN (GATT) presented the paper "Statistics on services and multilateral negotiations : a review of the available data".

> The paper provides a brief summary of developments in the Uruguay Round Group of Negotiations on Services as well as a description of ongoing work within the GATT Secretariat to collect available statistics on services-related employment, production, and international transactions, on a global basis. Statistics on trade in services continue to be of great concern for negociators, in particular the lack of data by partner country and the lack of disaggregation. Available statistics on services were discussed at some length. While inherently of limited comparability across countries, existing data are useful for some purposes. The paper concludes with an outline of future work by the GATT Secretariat so as to expand the coverage of the data base.

Mr.TAJ (UNCTAD) presented the paper "Current activities of UNCTAD in the service area":

> UNCTAD has undertaken to associate the developing countries with the ongoing work to collect and improve trade-in-services data. To this end it drafted a questionnaire and sent it to a group of Asian countries; the data received are being processed. This inquiry will serve as a model for other efforts.

The ensuing discussion dealt with the cooperation of the international organisations concerned and the prospects for improvement. It was stressed that the international organisations cooperate at different levels and aim at consistency. There was agrement that available data are deficient and require major improvements, particularly as regards the breakdown of global data by origin and destination of flows.

Mr.VEIL (OECD) presented the papers from IMF "Draft classification of international transactions in services" and from OECD and EUROSTAT "Proposals for a joint OECD-EUROSTAT trade-in-services classification", and his note on "Analytical classification of trade in services".

> He pointed out that the two first papers were very similar, both being derived from the Central Product Classification (CPC), as a systematic effort to arrive at common solutions. They represent a two-tier system, with the OECD-EUROSTAT classification being more detailed, but fully compatible with the IMF classification.

His note on a possible analytical classification emphasises the distinction between consumer and producer services, but available data do not allow it to be applied fully.

In the following discussion concern was expressed about the consistency of the proposed classifications among themselves and with other statistical systems, and the institutions concerned explained their determination to aim at full compatibility.

Mr. ROMAN (EUROSTAT) presented his paper on "Data collection system for the balance of payments and international trade in services":

He sketched the system of data collection which EUROSTAT aims at and which represents a general system of payment declaration; it should work in the context of electronic payments procedures.

The discussion of the paper led again to the conclusion that there should be coherence among the diverse initiatives being taken to improve trade-in-services data.

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Agenda item 4

Prices and quantities in services
(Thursday, 4 October 1990)

Mr.FLOTTUM (N) presented his study "Volume measures of services and service industries - Draft international guidelines":

Draft international guidelines are presented in the service areas of distributive trade, hotels and restaurants, transport and communication; they deal with price and volume measures for both products (by CPC 4-digit levels) and activities (ISIC Rev.3 by 3-digit levels). The paper is considered as stage two based on the UNSO questionnaire (in particular for the better-off countries) the results of which were reported to the previous meeting of the Voorburg Group in Ottawa but it also takes due account of more general work in the context of the revision of the SNA. The proposals are framed in a standard format with most emphasis on products (CPC classes); the main information focusses on volume measures and volume indices; indications are also given as to which price indices should be used as deflators when indirect volume measurements are made.

The proposals are put in a relatively general way, and should be refined if this is wished. They are in favour of price deflation rather than volume extrapolation, except in complex cases. Detailed framework and stratification are emphasised, as well as flexibility although in a somewhat coherent way. Bearing in mind the original starting point for this project, i.e. by industry, proposals are also given by ISIC groups, emphasising strongly the use of double deflation and commodity flow. However, the proposals by industry should rather follow from the product-approach using the double deflation technique as a vehicle. For distributive trade, the need for two alternative versions is presented, one aggregate version in the national accounts context, another more detailed version in a satellite accounting framework. In terms of the GDP approaches, the draft guidelines follow the production approach, but leave way for possibilities to combine this with a more expenditure-oriented approach by taking due account of various uses of the stratification at the CPC level. The proposals are ambitious and long-termed, as most countries will face data problems, in particular on prices, and a more fundamental problem of improving data on commodity flows as such, including establishing make-and-use tables, allowing for use of double deflation.

Mr.PARKER (USA) summarised his paper on "Methodologies used in preparing annual constant dollar estimates of services in US GNP":

The paper provides information on the methodologies used to prepare the annual constant-dollar estimates of the detailed services expenditure components of the U.S. GNP. Because the U.S. GNP is determined as the sum of expenditure components, the paper describes the preparation of estimates of services purchased by households, government, and foreigners; the paper does not describe the preparation of estimates of value added by service industries. The U.S. also prepares such estimates, but they are regarded as less accurate and are published as supplementary series.

For the preparation of the constant-dollar services purchases, the United States uses two different methods: deflation, and quantity extrapolation. Most components of services use deflation; quantity extrapolation is used primarily for the compensation of government employees. A third method, direct valuation, is used for some goods components of GNP, but not for services. In part, this lack of use of this method reflects the difficulty of defining the output of services and limited availability of price and quantity data.

The rapid growth in the importance of services has resulted in a reexamination of the methodologies. Unfortunately, efforts in the past 5 years have not produced major improvements. At an earlier meeting of the Voorburg Group, efforts by the United States to redefine the output of banking were discussed; it is still hoped to introduce better definitions next year. In addition, the U.S. Bureau of Labor Statistics is working in several areas that will improve the constant-dollar estimates. They are working on prices for medical care, insurance, and trade in services.

Improved estimates of constant-dollar purchases of services and of constant-dollar value added for service industries will require the collection of data on either prices or output of services products. This collection is a difficult task for many reasons and the United States is hoping that the Voorburg Group will contribute to the solution to this task.

Mr.ALBERT (F) presented Mr.STERLING (UK)'s paper on "Measurement of output in the service sector: the UK experience":

The purpose of the paper is to provide an update to the paper presented at the Wiesbaden meeting (October 1988) on the description of the measurement of the output of the service sector at constant prices in the UK. The measurement is carried out within the framework of the calculation of the quarterly index of the GDP. The GDP structure is such that more than half of the measure is concerned with services for which a number of indicators are used. Sometimes, direct volume indicators are available but, in most cases, deflation of value indicators is used, if units of outputs can be defined. The value indicator is often turnover, part of which is used for VAT calculation. For more than one third (37%) of the service outputs, input price indicators are used to approximate output price movements, along with, in certain areas, hypotheses on the annual increase in productivity.

The paper then cites the main areas where development has been made since 1985 in the UK. As to value indicators, more annual surveys have been carried out in order to improve the coverage (professional and scientific services, including legal services) and existing surveys on personal, business and miscellaneous services have been (modestly) expanded (data are collected on turnover and capital expenditures). Moreover, VAT data are used for about 5% of the GDP quarterly estimates and could be used for about 10%, but there are some difficulties which counterbalance the advantages of using the VAT source.

In 1989-1990, an improvement programme is being carried out. It aims at starting in 1991 a regular survey on turnover for legal units in those areas where, as for now, employment data are used as proxy for output. It is planned to collect data from a sample of 20,000 legal units.

These improvements which concern the values have to be accompanied by improvements in the deflators. When a unit of output can be defined, prices are collected from professional sources; this is done for the advertising industry and for legal services. In some other cases, new surveys are considered. But for more than half of the new services, when a unit of output cannot be defined, deflation of labour and material inputs is the only issue.

Mr. STERLING underlined the difficulties encountered when fiscal sources are used; he also insisted upon the need to look for improved volume indicators when employment series are presently being used for this purpose. He placed the deflation problem within the framework of the three approaches to the measurement of the GDP: expenditures, outputs, and incomes. In the UK, it is thought to be preferable to deflate outputs.

During the debate which followed the three presentations, numerous interventions dealt with the difficulties of deflating service outputs.

It was underlined that the choice of indicators is not neutral when there are changes in the composition of the value added. In a way, price statisticians'assumptions are determinant in the derivation of volume changes. This is true in general but more particularly in the area of services. The problem of the optimal period of deflation, the quarter or the year, was raised. The group insisted also upon the difficulties arising from price discrimination which is frequent in the area of services.

Some operations conducted with the help of the related professions were cited, such as the case of advertising in France. However, for many products, the difficulty of defining a unit of output makes it necessary to use indirect methods. Some members drew upon their country's experience to support activity deflation against product deflation.

Mr.LANCETTI (EUROSTAT) wished that the study be conducted both at the general and sectorial levels as in the EUROSTAT manual; indeed, each service sector poses its own specific problems.

Mr.RYTEN (CDN) expressed his satisfaction with Mr.FLOTTUM's approach. He suggested that some participants in the Voorburg Group meeting join Statistics Canada and France in helping in the development of the approach, if this organisation becomes a "leader" for this operation within the Voorburg Group. Some members of the group supported a proposal in favour of the establishment of guidelines based on the experiences of the various countries. They would be communicated to Mr.FLOTTUM who would make a synthesis. Each country would then choose from these guidelines the method most appropriate to its statistical means.

The chairman indicated that the latter proposal supplemented Mr.RYTEN's proposal and would be reexamined when the agenda for the next meeting is discussed.

Mr.KOLL (S) presented Mr.ISACSSON (S)'s paper "Extending price data collection to business services":

> There has been a lot of discussion in Sweden about productivity in the service sector.
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> Mr.Isacsson's paper is about swedish efforts at improving price statistics by including business services in price collections. The method of collecting prices on services depends on the possibility of finding standardised and defined services, stable over time. To do that, one should know how prices are charged, so Statistics Sweden's staff has gone out and studied how this is done in separate business service activities. It was concluded, in particular, that, where services may be standardised, to some extent the methods for obtaining prices should not differ from those used for goods

Mr. ISACSSON's paper was said to be very useful for the advancement of the various countries in the way of improving the deflation of value data for business services, and that it also underlined the difficulties encountered. It was noted that, in many cases in the service sector, major price changes were made at the time of signing new contracts and not when existing ones were renewed, a fact which did not ease the problem of data collection and treatment.

During the discussions, the role of the CPC in the definition of units of outputs was underlined. One participant wondered if the CPC could be linked to the classification of consumption functions, but this was thought not to be possible.

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Agenda item 5

French experiences
(Thursday, 4 October 1990)

Mr.TROGAN (F) presented his paper on "A survey on service industry in the French West Indies":

> The annual survey on market service enterprises has been extended to the French West Indies, which did not have much experience in carrying out such survey. Contrary to previous unfavorable experiences, the present one was successful and it is important to determine the factors of the success. In fact, it is the first time that a survey on enterprises was carried

> out within a complete computer and statistical environment as is the case in Metropolitan France. Responsibilities did not then have to be shared between the West Indies and Metropolitan France. All responsibilities could in fact be given to the West Indies; Metropolitan France intervened only in providing ready-made processing computer programs and in acting as technical assistant.
>
> The response rate was 78% (compared to 86% in Metropolitan France). It was obtained at the cost of making numerous direct surveys in the enterprises because mailed questionnaires did not yield sufficient answers. This procedure increased by one third the cost of a questionnaire. The quality of the response is not much lower than in Metropolitan France. A detailed presentation of the survey outcomes in the West Indies and in Metropolitan France is presented in the paper.

The interest of the experience was underlined. It shows that a rather sophisticated survey method can be applied to places with lesser statistical possibilities. However the problem of the transmission of computing tools was raised. It is necessary to prepare software usable on PC's. It was noted that sometimes this might be difficult.

Mr.TROGAN (F) summarised the paper on the "Audiovisual services in the CPC":

> The paper has been prepared by the French Commission on service accounts, which made proposals on the audiovisual services in the CPC (television, radio, video, cinema, ...). It is proposed to refine the CPC by making a clear distinction between the motion picture path and the television and video tape path. It is also proposed that separation be made for television and radio according to the type of financing (television tax, subscription, advertising, ...), rather than according to type of broadcast (varieties, news, fiction, ...) for which values cannot be measured except perhaps as to the production costs. The proposal for a detailed CPC and the explanatory notes are presented in the paper along with a matrix providing data for 1988 in France as to the cross-classification of activity by product for audio-visual services (35% of receipts come from advertising).

From the subsequent discussions, it appeared that several countries would like to test the proposed classification. Mr.TROGAN insisted upon the difficulty of defining products and the necessity to have frequent contacts with the professionals specialised in the domain ("they have to be met at least every other year in order to review the classification, according to new and rapid changes in the related products"). In this sector, the changes concern the marketing techniques even more than the product techniques. It was also proposed that recreation services be submitted to a similar test, but Mr. TROGAN could not undertake the study in this matter. The question of syndicated programmes (news in particular) which are re-broadcast by local television companies was raised.

Mr.DUPUIS presented briefly his paper on "Insurance company accounts: the French intermediate system":

Insurance companies have a special place in the service universe as well as in the French statistical system:

1. A rather complete source of data is available from administrative files (total of company accounts);
2. Insurance companies are considered as a specific institutional sector in national accounts.

The intermediate system for insurances permits the "reduction" of the distance, the conceptual discontinuity, between the microeconomic approach of the insurance professionals and the macroeconomic approach of national accountants. It aims at re-arranging accounting data from enterprises into an accounting and conceptual framework inspired by national accounts procedures while respecting the accounting consistency of the sector and thus keeping its logical economic framework.

Two outputs are obtained:

1. A worldwide intermediate system of accounts, adjusted on enterprise accounts (which go across national borders), which is a system for information and analysis valid for the sector and which is a common reflection framework for micro- and macro-economists (for example, the separation between life and damage insurance is retained).
2. A territorial intermediate system of accounts (as long as the statistical source is adaptable to the national territory); this is a step toward the making of national accounts, a tool for an integrated passage from elementary accounts to national accounts.

The method can be generalised if these conditions are met:

- there exists a common accounting norm followed by the various concerned companies;
- there exists a statistical source of data (administrative or by survey) covering the field to be studied.

The discussions dealt with the following items:

A. Do detailed production measures exist?

France cannot go beyond a certain level of disaggregation and cannot make production accounts for separated products. However, according to Mr.ROBIN (F), in this matter, two types of enterprises must be distinguished: life insurance companies and damage insurance companies. Within each category, one can try to provide details on production; this is done partially for damage insurance: vehicle insurance, fire insurance, etc.; but the problem of multi-risk insurance has to be solved; furthermore, it is difficult to isolate some flows according to the risk ensured. As to life insurance, some research will start.

B. Are there experiences in other countries?

Mr.COLLINS (CDN) reported on a ten year experience of calculating real output for the insurance industry in his country. It seems that there are important national specificities in the field of insurance. The use of an intermediary system between company and national accounts seems to be a French specificity. Mr.LANCETTI (EUROSTAT) recalled that insurance statistics is the theme of a meeting of EC countries from 23 to 25 October 1990, within the framework of the harmonisation and development of service statistics in the European Community.

C. Are there links between the French experience and the CPC?

The group is worried since there was no progress in this matter.

Mr.CAMUS (F) presented his paper on "The French system of enterprise statistics":

In the sixties, French national accountants found it difficult to use diverging statistics and stressed the necessity of obtaining consistent data, which, in turn, implied that a system be organised as a set of articulated and linked tools. By the beginning of the seventies, the plans for such a system were completed and it took until the beginning of the eighties to organise all tools and statistics, one of the latest surveys to be launched being the annual survey on market service enterprises in 1982.

The main features of the system are:

- a massive investment in basic tools to be used by all economic agents, private or public: consistent classification of activities and products, general business register, general private accounting plan;
- an intensive use of administrative sources: enterprise income tax declarations, VAT declarations, etc.;
- a coordinated and integrated system of enterprise surveys: questions based on the general accounting plan, the same set of questions for all enterprises (complemented by specific questions according to the business sector);
- a research of consistency as to the micro-economic synthesis: the use of the same codification and of the same accounting sources for surveys and income tax declarations is one of the factor for this consistency.

The subsequent discussion was mostly oriented toward the choice of the enterprise as principal statistical unit in the system. In the French meaning of the concept, the enterprise is a legal unit which has a balance sheet and presents a complete set of accounts. As such, it is an adequate unit for statistical surveys (sample surveys or censuses using an administrative register). But, besides its principal activity, which determines its sector of classification, the enterprise may perform one or several secondary activities, which may be of relative importance, especially if one deals with large enterprises. Because of this possibility of plurality of activities, many members of the Voorburg group questioned the capacity of a survey on enterprises to provide valid data on outputs and production costs. Mr.CAMUS answered that the questionnaires permitted an analysis of the global activity of the enterprises through a special frame where the enterprises are requested to make breakdowns of their turnover according to the various products sold (the possibilities of breakdowns are pre-printed on special questionnaires specific per type of business). These turnover breakdowns permit the passage from kind of activity to products (branches) in the framework of the national accounts (this is possible since all the enterprises are covered in the annual surveys on enterprises).

To a question on costs and investments, Mr.CAMUS pointed out that it was not possible to break them down by activity (principal or secondary) for a given enterprise. The cost cannot be identified for a product or a category of products except for the single activity enterprises. He also indicated that, with respect to manufacturing enterprises, in the French system, local units are surveyed and results of the surveys are published. As to other kinds of activities either no surveys have been, so far, made from local units (market services for example), or surveys are made at a frequency smaller than a year (distributive trade, for the time being). In many cases, local units are not much more homogeneous as to production than the enterprise to which they belong.

Mr.MAILLARD (F) presented the main characteristics of the French annual survey on market service enterprises, the 1988 results of which were presented in a specific paper:

> The survey is part of the general system of statistics on enterprises. Around 100,000 enterprises have received a questionnaire. This includes all enterprises with 20 or more employees and a sample of other enterprises (the sampling procedure is stratified by kind of activity, number of employees and, for consumer services, by region). The results are presented according to NACE-Rev.1 (still provisional). While France still uses its 1973 classification of activities, the passage to NACE-Rev.1 was made possible through the use of a very detailed internal (5-digit) classification which has then been aggregated into the provisional NACE-Rev.1.

Ms.MOYNE (F) introduced her paper on "Services in input/output tables":

> The paper focusses on the difficulties of defining adequate concepts and methods to treat services in the national accounts, especially for output, gross fixed capital formation and intermediate consumption.
>
> These problems are linked to the great variety of services, but also to the difficulty of determining the accurate place of services and goods among products.
>
> The presentation of some choices of the French national accounts system related to the benchmark year 1980, is followed by some elements about other possible approaches. The principal proposals are:
>
> - to use a definition of output close to the notion of "margin" for all "market business services"; in this case, output will be obtained from sales, after making the appropriate deductions including services and goods purchased for resale (minus associated changes in stocks);
>
> - to introduce gross fixed intangible capital formation, especially for computing services and market services of research and development.
>
> Some very approximate measures of the impact of the adoption of the proposals illustrate this debate. The principal conclusion is that the proposals allow for a better explanation of "market business services". So it seems necessary to follow this type of approach to study "market business services" from national accounts and it would be practical and hopeful to modify some concepts and methods of national accounts along these lines in order to facilitate the use of national accounts for a larger public.
>
> Of course, it is clear that the proposals result in notable, theoretical and practical changes in national accounts.

Mr.PARKER (USA) was of the opinion that the activity of interim workers should remain a service and an intermediate purchase and should not be transfered to value added beside the permanent workers. Mr.KOLL (S) feared that what is proposed for interim workers may be applicable to many other services, which might change drastically the treatment used up to now. Ms.MOYNE pointed out that the national accounts are based on many conventional procedures; it is sometimes questionable whether such conventions are the most adequate for representing the reality.

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Agenda item 6

National experiences. Other problems
(Friday, 5 October 1990)

Various papers on national experiences and programs (Norway, Denmark, Australia, Finland, Czechoslovakia, Germany), as well as a proposal for an enumerative definition of services (Mr.VEIL) were presented by their authors under this agenda item. Because of lack of time, they could not be discussed.

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Agenda item 7

Conclusions and future work programme
(Friday, 5 October 1990)

Organisation of the group

A large number of participants, including those from international organizations and EUROSTAT, expressed the view that the Group has made considerable progress and that useful tools for service statistics were developed for both developed and developing countries. Some members expressed the view that this meeting was more effective, due to the fact that a draft agenda had been agreed upon well in advance, during the previous meeting. This is contrary to previous occasions, where the discussions were more ad hoc and less structured. In this context, it was suggested that the Group establish a medium term plan that would set out the agenda for a few years to come. The BLOEM/BEEKMAN paper could be used as a guide for this. This proposal was objected to by others because it would hamper the flexibility of the Group in addressing service related subjects, the nature of which could not be foreseen.

The Group decided that it was worthwile to continue its existence and to meet next year again. Mrs.JESKASEN-SUNDSTROM proposed that the Group meet in Finland, provisionally from 7 to 11 October 1991. This invitation was accepted with great pleasure.

In order to clarify the organisation of the Group and its links with international organisations and associations, the participants discussed internal guidelines which would be applicable for some time to come. The main points of discussion touched upon the informality and membership of the Group and the definition of its Secretariat and Bureau. It was argued that the Group should be as informal as possible and therefore, for the time being, not linked to other organisations. As to the membership, it was agreed that it should not be a closed group but that, on the other hand, the fee that was agreed upon from the start, i.e. substantial contribution to the work of the Group, should be paid by new as well as current members. The Bureau was seen as a body that could assist the Secretariat and can function as a kind of address to which people could turn between sessions.

The text of the internal guidelines, as agreed by the meeting, is added to this report as Annex 3.

MM. RYTEN and BEEKMAN were elected as members of the Bureau.

<u>Agenda of the future meeting</u>

The group discussed an agenda for its next session in Finland. It was agreed that the issues raised by Mr.FLOTTUM in his paper on volume measurement should be one of the most important subjects on the agenda. It was also agreed that the procedure used with respect to the CPC, i.e. to have one country take the lead and others to assist it, will be followed again. The BLOEM/BEEKMAN paper was used to identify the product areas that were considered most important and to solicit contribution from members. It was further suggested that, whatever the subject, each paper contains a section that evaluates the use of the CPC.

The following tentative agenda was then agreed upon:

1. Opening
2. Election of Officers
3. Adoption of the agenda
4. Price and quantity (1 1/2 day) :
    - General framework (N, F)
    - Government (<u>NL</u>, DK, S)
    - Business services (<u>CDN</u>, AUS, F, NZ, S, SF) (AUS may take the lead next year and D, J and UK may then join)
    - Banking (USA, N)
    - Insurance (EUROSTAT, N, SF, UK)
    - Distributive trade (<u>N</u>, AUS, EUROSTAT, F)
    - International trade (??)
5. Country experiences in using the CPC (GATT) (1/2 day)
6. International guidelines for data collection (1/2 day) :
    - Use of the CPC in the questionnaires: (CDN, EUROSTAT, F, S, SF)
    - Classifications of functions (EUROSTAT)
7. Use of administrative records (1/4 day) : (DK, F, N, SF)
8. International trade in services (1/2 day): (IMF,GATT,OECD,EUROSTAT)
9. Special topics (1/2 day)
10. Host country experiences (1/4 day)
11. Conclusions, future work (1/2 day)
12. Closure

This agenda leaves some space that can be used for items that can be brought to the attention of the Bureau in the inter-session period.

Countries are requested to apply to the Bureau for leadership for one of the items of the agenda that have no leader yet.

The host country then promised to issue the report of the meeting as soon as possible and to circulate the most important papers of the meeting within three months. In order to avoid a long discussion on which papers are to be included, it was agreed that this decision will be taken by the Bureau, with the understanding that a full list of all papers will be added and that these papers will also be available on request.

Mr. BEEKMAN will undertake to have a selection of the papers for the previous meetings published by his office in due course.

Closure

Mr.RYTEN thanked the host country for its hospitality and for the excellent organisation of the meeting, and the participants for their contributions.

Mr.PICARD also thanked the participants, his staff, the technical staff of the Ministry and the interpreters and closed the session.

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