The new SPPI Guide
Issues and Challenges

Ottawa Group
Statistics Denmark,
Copenhagen, 1 May 2013

Anne-Sophie Fraisse (OECD)
1. Background

2. A global and comprehensive framework of pricing methods

3. Development of practical guidance for services difficult to measure

4. Main cross-cutting issues and challenges
Background

The revision of the 2005 SPPI Guide
The first edition of the SPPI Guide

Produced in 2005 by a joint expert group of 19 OECD/EU countries

Objectives:

- Enhance the development of SPPI
- Provide input to a common methodology
- Rely on material already produced by the Voorburg Group
- Share the experiences and lessons related to the collection of data and the compilation of indices
Since the 2006 SPPI Guide

- OECD and EU countries have expanded SPPIs coverage
- Large expansion of material produced by the Voorburg Group
- ISIC 4 / NACE 2
- 2008 SNA

Provide strong motivation for an update and revision of the 2005 SPPI Guide
Objectives

1. Development of a global and comprehensive methodological framework to track changes in prices for services;

2. Enlargement of the scope of service sectors covered by improving and developing practical guidance by service industry;

3. Identification of issues and futures challenges related to the compilation of SPPI.
A global and comprehensive framework of pricing methods
Classification of pricing methods

• Additional pricing method
  - Margin pricing (Wholesale & retail trade, FISIM)

• Modification of description of existing pricing methods
  - Use of CPI as proxies
  - Data type in the survey (Voorburg Group input)

ENLARGEMENT OF THE CLASSIFICATION
Methodological issues (2/3)

Margin pricing

Explicit output charged mechanism

Time-spent mechanism

Acquisition & selling prices

- Real transaction price
- List price

Revenue & amount sold

% fee & related value

Sub-components:
Real transaction price, List price, Revenues & amount sold, Input data

Expert estimate

Real transaction price
List price
Unit value

Margin pricing

Direct use of prices

Contract pricing

Unit value

% fee

Component pricing

Model pricing

Model pricing

Component pricing

Model pricing

Price of final service output

Margin price

Time based

- Time based
- Price observed or estimated

Time based

Price virtual

Price estimated using related observed prices

Price observed

Price indirectly observed
Development of practical guidance for services difficult to measure
Provided replicable and harmonised guidance by industry

1. Coverage and classification aspects
   - Industry description
   - Classification aspects
   - Scope of the survey
   - Industry vs. Product based SPPI (when relevant)

2. Compilation issues
   - Sample design
   - Collection of information and specification of the services

3. Experience of individual countries:
   - Pricing methods
   - Quality issues
   - Weighting and aggregation
   - Specific aspects

4. Methodological sources available
Enlargement of the scope (1/2)

19 service industries were covered in the 1st edition of the Guide

- 15 service industry sections have been enhanced with the material from the Voorburg Group
- 4 service industry sections have been revised extensively:
  - Sea and coastal water transport
  - Air transport
  - Telecommunication
  - Computer programming, consultancy and related activities
Enlargement of the scope (2/2)

- 8 new service industry sections have been included in the new version of the SPPI Guide:
  - Waste management
  - Wholesale and retail trade
  - Food and Accommodation
  - Publishing of books & periodicals
  - Software publishing
  - Financial activities
  - Insurance activities
  - Health service industries
Main cross-cutting issues and challenges
Cross-cutting issues

1. Decomposition of SPPI by end-use
   - Availability of reliable weight data (such as turnover)
   - Assessment of the potential for business prices to display different trends to those of household’s consumers

2. Use of CPI data as full or partial proxies
   - Appropriate use of CPI data to cover household’s transactions to adjust CPI data to basic prices by deducting any taxes including VAT and trade margins.

3. Treatment of quality changes
   - In principle, the same quality adjustment methods can be used for goods and services, in practice, for services, fewer options are available and much more difficult to implement

4. Treatment of bundled services
   - Services are frequently and increasingly bundled with other service(s) and good(s)
   - Main issues are keeping the bundle constant over time either through quality adjustment or regular updating of the selected bundled services; reflect the non monetary benefits of the bundle in the price index; heavy calculation and response burden
Future challenges

Considered as a living document, SPPI Guide is likely to be amended and improved in the future

1. Continue improving guidance and enlarge scope of the industry covered
2. Improve comparability of SPPI across countries
3. Treatment of quality changes
4. Dealing with changes in productivity
5. Dealing with globalization; treatment of exports and international services
Time table

- Editing process by Niall O’Hanlon – *March to July 2013*

- Final draft: *October 2013*
Thank you for your attention

Anne-Sophie.Fraisse@oecd.org