

CONFERENCE OF EUROPEAN STATISTICIANS

First meeting of the 2004/2005 Bureau
Washington, D.C., 18-19 October 2004

Item 9: Progress report of
the MNE project

**MULTINATIONAL ENTERPRISE (MNE) PROJECT PROGRESS REPORT
AS OF 30 SEPTEMBER 2004**

Note prepared by Statistics Canada

BACKGROUND

1. The main objective of the MNE project is to identify areas where more standardized and coordinated approaches to measuring the activities of multinational enterprises could contribute to improved national and international economic statistics.
2. The project is expected to unfold in successive phases over several years. Ideally, each phase would expand on content and involve more participating countries and MNEs. The goal of Phase 1 is to gain insights in the forms of organization and ownership and control of multinational enterprises. This phase will concentrate on the structure these enterprises have established in each of the participating countries. More specifically, that phase of the project will assess the view selected global enterprises have of themselves in each of the participating countries compared with the view gathered by each national statistical agency through their individual statistical practices and definition of statistical units. Phase 1 will also address in a similar fashion key financial aggregates and their allocation to specific countries.
3. Work in subsequent phases will focus on developing and implementing solutions. It will also consider the possibility of having MNEs reporting in an integrated fashion to several national statistical offices (NSOs), taking into account the confidentiality legislation governing those NSOs.
4. A working team is responsible for carrying out the first phase of the project. It has representatives from each of the five participating countries: Canada, France, Italy, the Netherlands and the United Kingdom.
5. An extended project team has also been formed to coordinate the project, help provide support within their respective organizations and ensure liaison with other key stakeholders of the project. This team includes representatives from the five participating NSOs, as well as from UNECE, Eurostat, OECD and UNCTAD.

PROGRESS OVER THE LAST SIX MONTHS

Project communication and membership

6. The extended and working project teams met in Luxembourg on 3 June 2004. On 19 July 2004, the project team held a videoconference. Team members otherwise communicate by email and telephone.
7. UNCTAD joined the extended project team as observer.

Phase 1 data content

8. The project team agreed on the following list of variables to be collected in Phase 1 of the project:

- gross sales (or revenues or turnover)
- sales or revenues between/from geographical segments, plus a split between goods and services
- total net sales
- operating earnings or losses before taxes
- capitalized expenditures
- number of employees

9. These variables are to be reported by geographical segment, namely the five participating countries and a residual total representing the rest of the world. In addition, participating MNEs will be asked to provide information on the levels of consolidation plus a list of the legal entities that are included in each level of consolidation. This list will be used to assess the coverage of current financial data collection programs in each participating NSO compared with data provided through the MNE project.

Phase 1 data collection and analysis

10. The project team agreed on an approach for data collection. Each of the five NSOs will be inviting a few multinational enterprises to participate in the project. Enterprises that agree to take part will be asked to provide the requested information on their business activity in each of the participating countries. All the information requested from each enterprise will be gathered by the NSO that contacted it. This NSO will then provide the other four NSOs involved with the portion of the information pertaining to their respective countries. This data sharing will take place only with the enterprise's written consent.

11. Data collection has started and is progressing fairly well. Many MNEs have been contacted and visited. Their response to the project has been generally very positive. Some of the MNEs have already provided their information, and national coherence analysis is underway. Below is a summary of progress by country.

Canada

12. Three MNEs were visited and all agreed to participate. One MNE provided a complete response—financial data and a legal entity list. For this enterprise, a preliminary coherence analysis with data collected through regular surveys is showing differences, some quite significant. The reasons for these differences are being examined. This MNE has also officially consented to release its data to the other participating NSOs. The information will be encrypted on CD-ROMs and each NSO will be given its respective portion of the data.

13. Communications are continuing with the other two Canadian controlled MNEs: their data are expected to become available for analysis within the next few weeks.

France

14. A list of MNEs with affiliates in Canada, Italy, the United Kingdom and the Netherlands has been established. The enterprises will be contacted in early October, with a view to visiting at least one of them before the upcoming meeting of the Roundtable on Business Survey Frames, which will be held October 17 to 22, 2004.

Italy

15. Two MNEs were contacted and visited. One is a very large multinational company, operating worldwide; the other is a smaller one with a significant international structure in Europe. Both have agreed to participate in the project, even though they are not fully interested in the expected statistical benefit.

16. Data collection from the small MNE is in progress, with the firm asking some questions about the terminology used for the variables. The collection process is slower with the larger MNE, as their commitment is conditional on the confidentiality procedure that will be implemented. The importance of having the MNE's official consent to share data among the other NSOs, and the relevance of the "joint declaration" that is to be signed, has been highlighted. The two MNEs will be visited again: data collection for the smaller firm is expected to be completed by the end of September and for the larger firm by the end of October. Two additional MNEs may also be contacted.

Netherlands

17. Four MNEs have been visited; three of them have agreed to participate in the project. The three firms have sent completed responses—both financial data and a legal entity list. Some MNEs have requested clarifications on the reference dates. The composition of MNEs is very dynamic, so accurate time references are crucial for doing consistency analyses with information from other surveys.

18. Strict confidentiality maintenance of the data is important. MNEs ask for confirmation of the strict rules according to the waiver. The three reporting MNEs gave their official consent to share the data among the working team. The information exchange process will start once the "joint declaration" of the participating NSOs have been signed and is available.

United Kingdom

19. Like other project member countries, the UK has specifically chosen businesses where the Ultimate Parent is in the domestic territory, with subsidiaries in all of the other project member countries (France, Netherlands, Italy and Canada). The UK chose to target ten businesses and, of these, five were contacted initially. All five agreed to participate; however, one has since dropped out. Of the remaining four, three have been visited. The first visit acted as a feasibility study to ask what information was available, the second visit specifically collected data (with a signed waiver yet to be obtained), information is expected from the third visit by the end of October, and the fourth visit has yet to be arranged.

DATA SHARING AND CONFIDENTIALITY

20. The five participating NSOs have agreed on a framework for data sharing and confidentiality. Data sharing will take place only after the enterprise has given written consent for its information to be shared with the other NSOs. To this end, each participating MNE will be asked to sign a waiver or 'authorization to release data' form. This form includes a set of rules to which participating NSOs have agreed to adhere in order to maintain the confidentiality of the information collected. These rules are:

- Any information collected will be used only for statistical purposes within the scope of the MNE project;
- Any information provided will be stored in a secure physical environment;
- Only employees working directly on the MNE project in the participating NSOs will have access to identifiable information, subject to the provisions below;
- No shared information pertaining to an enterprise will be redistributed to any other organization without the enterprise's written consent;
- If an enterprise does not provide its written consent, none of the information it provides to the contact NSO will be shared with the other NSOs participating in the MNE project, and none of the information will be redistributed to any other organization.

21. In addition, a 'common declaration' endorsing the project and outlining the confidentiality principles to which each NSO is committed has been prepared. It will be signed by the heads of the five participating NSOs. Thus far, signatures have been collected from three NSOs; the other two are expected within weeks. Once signed, the document will be provided to each participating MNE, to help obtain their participation to the project and agreement to share their information.

22. For the initial phase of the project, the project team has agreed on a procedure to exchange data between countries. A cryptography application was developed, added to the project website and tested successfully by all the participating countries. This application will be used to encrypt/decrypt information that will be transmitted between NSOs on CD ROM.

NEXT STEPS

- Continue and complete data collection and data sharing for Phase 1 of the project.
- Continue and complete coherence analysis within each participating NSO.
- Develop and carry out a process to consolidate the results of national coherence analysis among participating countries. This analysis could lead to the identification of recommended standards and/or practices that could significantly improve the quality of the information collected from MNEs.
- A meeting of the project team will be held in Beijing in October, in parallel with the Roundtable on Business Survey Frames. This meeting will focus on the logistics and process for consolidating the results of national data analyses.

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