

Factory-less goods producers: a challenge to the NA industry breakdown

Presentation at the meeting of UNECE Group of Experts on National Accounts,
Geneva, 18-20 May 2016

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The problems

- The current situation for classifying FGP's is unsatisfactory, merchanting is misleading.
- By which means do we identify the activity?
- Should there be a specific group of IPP activities in the activity classification?
- Is it possible to identify the production process behind copyrights?
- Should ownership be regarded as a criterion for the activity classification?
- Is the manager of the value chain a merchant?

The holy trinity: activity, output and payment

Productive activity (service)

A.01.12 Growing of rice
 A.01.41 Raising of cattle and buffaloes
 B.06.10 Extraction of crude petroleum
 C.10.50 Manufacture of milk and cream
 C.10.61 Milling
 C.10.62 Manufacture of starches
 C.18.10 Printing and binding of books
 C.19.20 Manufacture of refined petroleum products

C.26.30 Manufacture of communication equipment

J.58.11 Publishing of books
 M.72.10 Research and experimental development on natural sciences
 M.74.10 Graphical and other specialised design
 N.77.4 Leasing of intellectual property
 R.90.03 Literary and artistic creation

Output (goods, IPP and services)

Rice corn, raw (good)
 Milk, raw (good)
 Petroleum, raw (good)
 Milk and cream (good)
 Rice flour (good)
 Starches of rice (good)
 Printing and binding services
 Gasoline, fuel oil, gases etc. (good)

Mobile communication equipment (good)

Book titles (IPP) and books (good)
 Patent (IPP) and R&D services
 Copyright (IPP) and copyright services
 IPP services
 Copyright (IPP) and copyright services

Payment (goods vs processing service)

Goods
 Goods
 Goods
 Goods or processing service
 Goods or processing service
 Goods
 Processing service (only)
 Goods or processing service

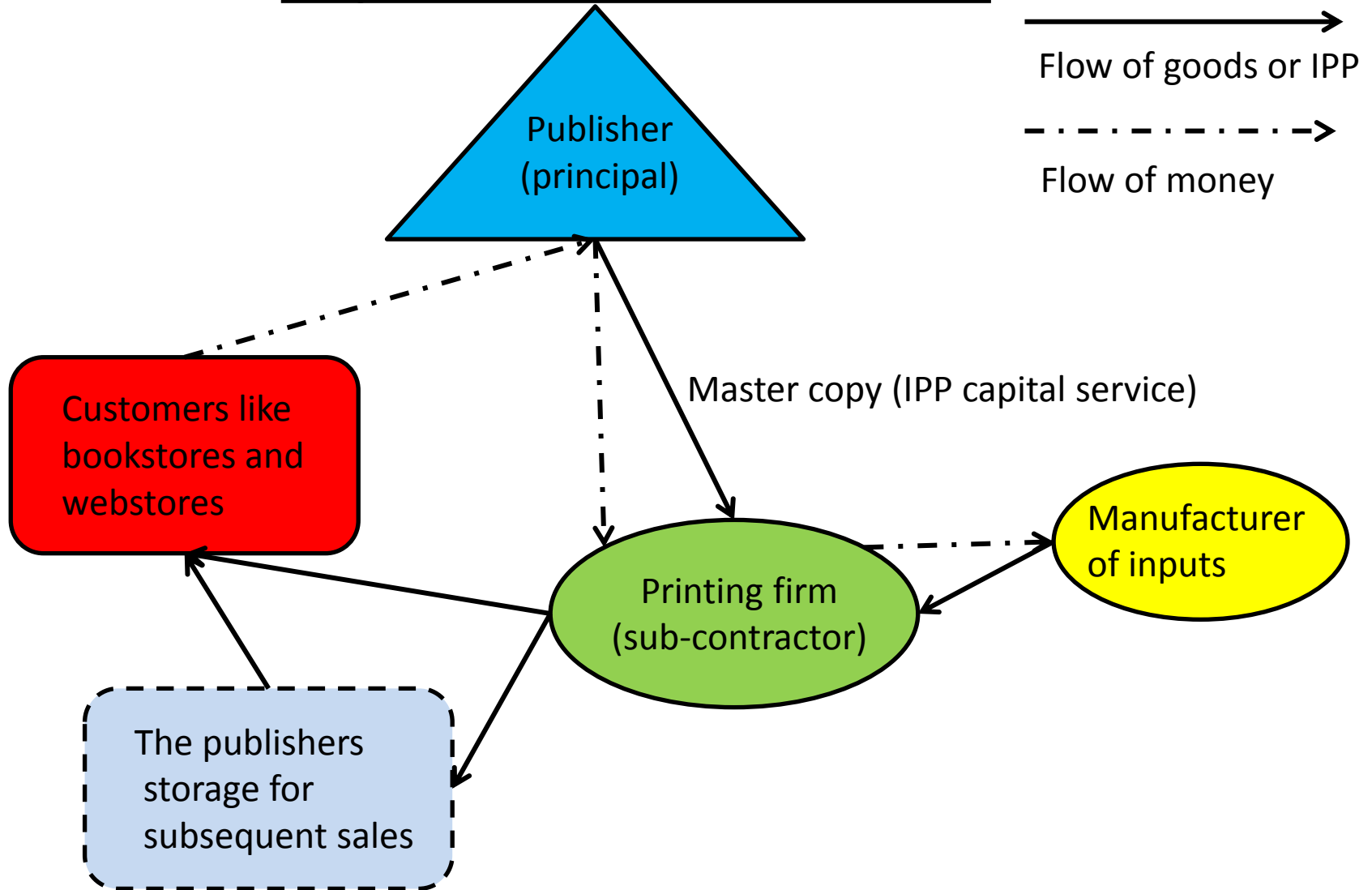
Goods or processing service

Goods
 R&D service
 Copyright service
 IPP service (royalties and license fees)
 Copyright service

The publisher as FGP

- A factory-less goods producer (FGP):
 - provides IPP necessary for production of goods
 - outsources manufacturing
 - is the manager of the value chain
- The book publisher:
 - provides the original master (book title)
 - outsources printing of books
 - contracts with the author and promotes the sales of books

A publisher as a FGP



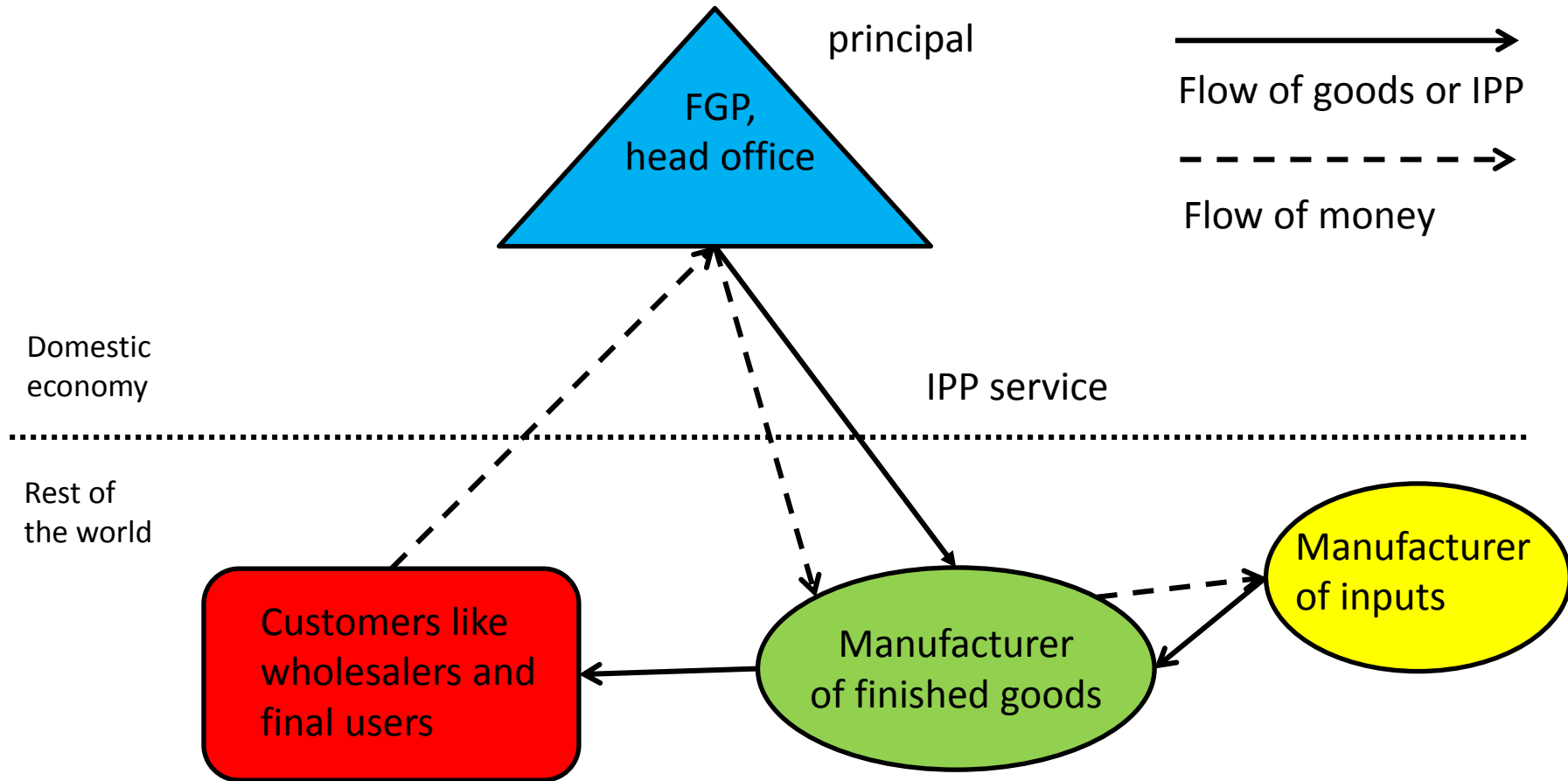
The publisher as FGP

- The output of a publisher:
 - the title (book, computer game etc.) (IPP)
 - downloading service of electronic copies (retail)
 - sales of physical copies (books, CD:s etc.) (good)
- Should activity be identified by the source of revenue?
 - in many cases the main revenue comes from the typical output of the activity
 - exceptions like publishers and FGP's are problematic and generalisation is therefore not possible

The publisher as FGP

- Why is copyright treated differently than other IPP like R&D (patented items)?
 - the use of copyright is output of publishing
 - the use of patent is output of leasing activity
- Could this difference be solved by a well defined production process for copyrights?
- Alternatively; let all leasing of product specific IPP be output of the same activity as the product itself, for example the use of patents for cars would be output of C29

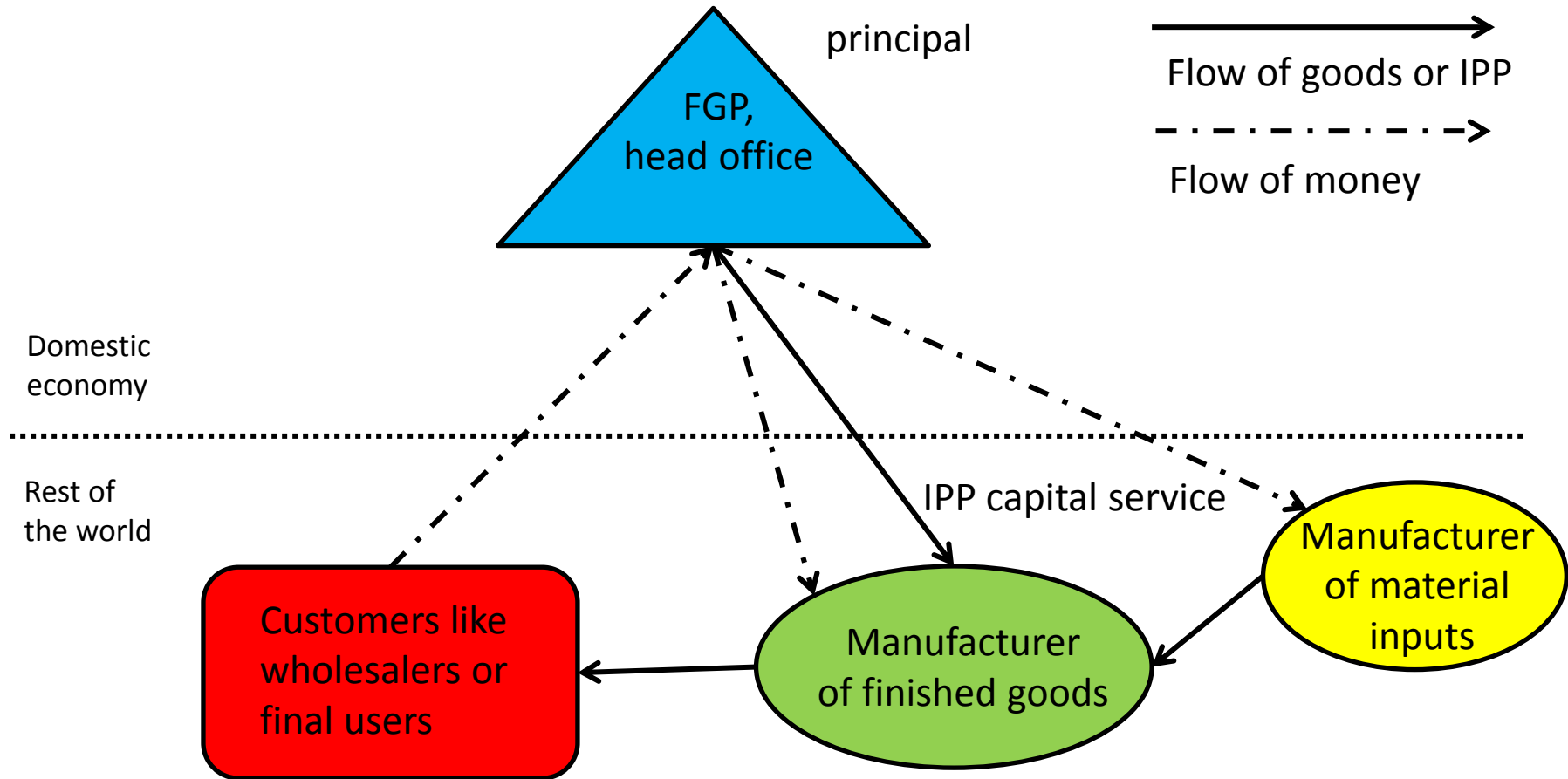
FGP as a merchant



Ownership of inputs

- Ownership is not an activity, holding is passive (a state)
- In social accounting legal ownership is subordinated the function (economic ownership)
- In what sense can ownership tell us something about the underlying activity?
 - ownership of inputs is a claim on output
 - ownership of output by other means
 - ownership of inputs does not tell who is the producer of inputs

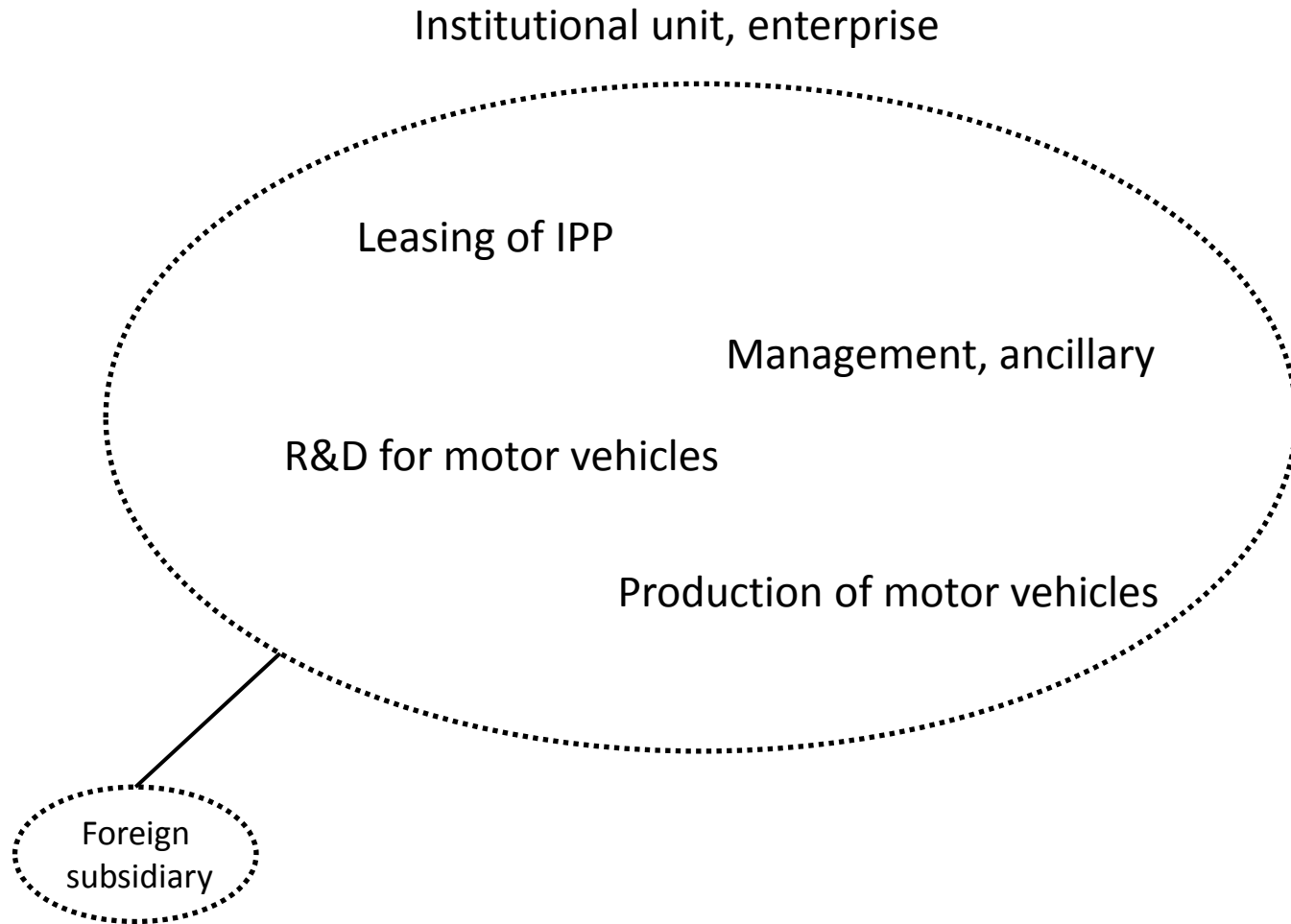
FGP as a manufacturer



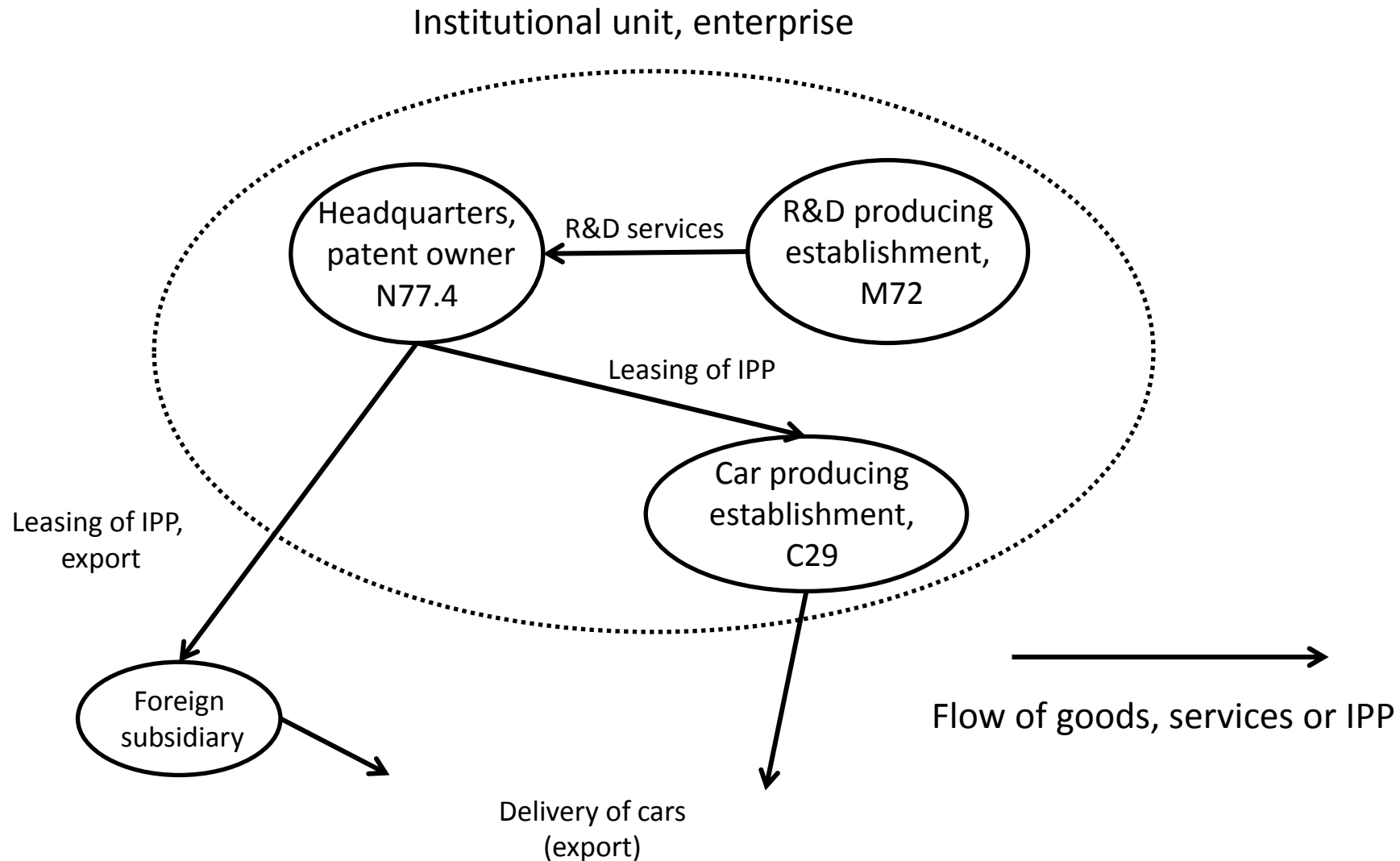
Classification of FGP

- FGP as merchant (G46) or head office (M70.1) would give the wrong information of its role in and contribution to economic activity.
- If value added (VA) in R&D and leasing of IPP is large in relation total VA it is recommended to separate these activities into own establishments.
- But in many cases relevant data is missing and we end up in a second best solution.

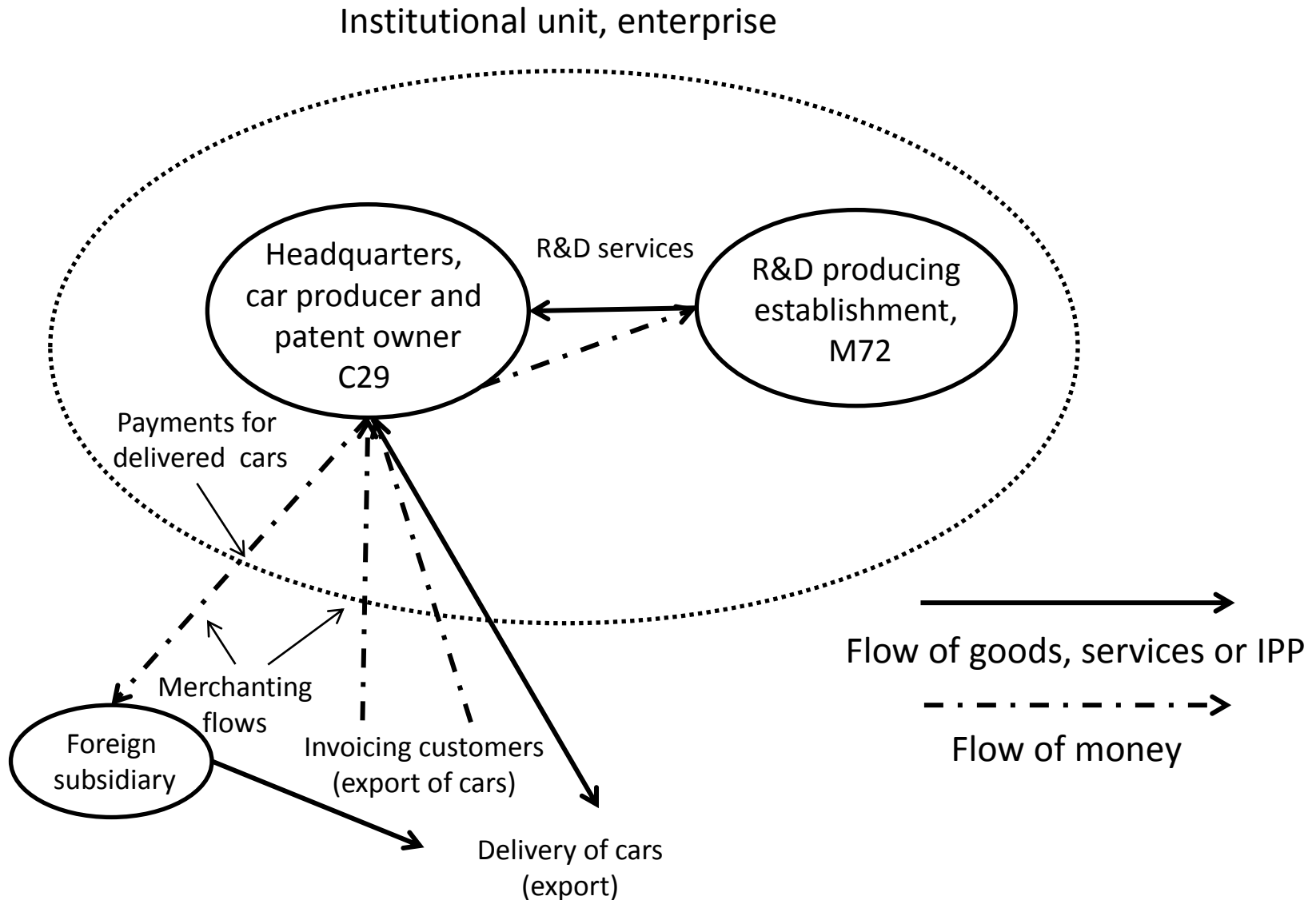
The current model, activities



The current model, activities



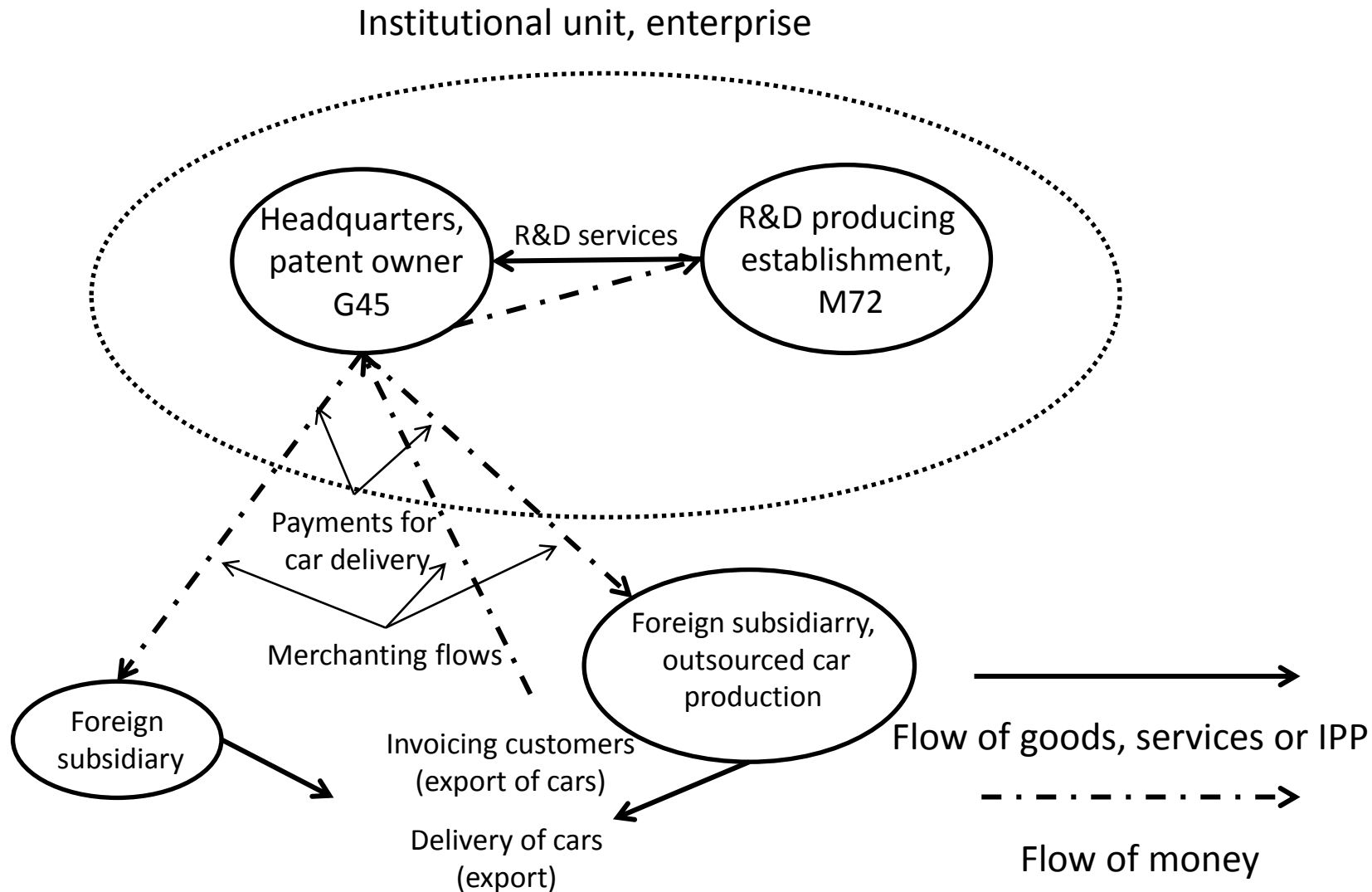
The current model, actual case



Classification of FGP

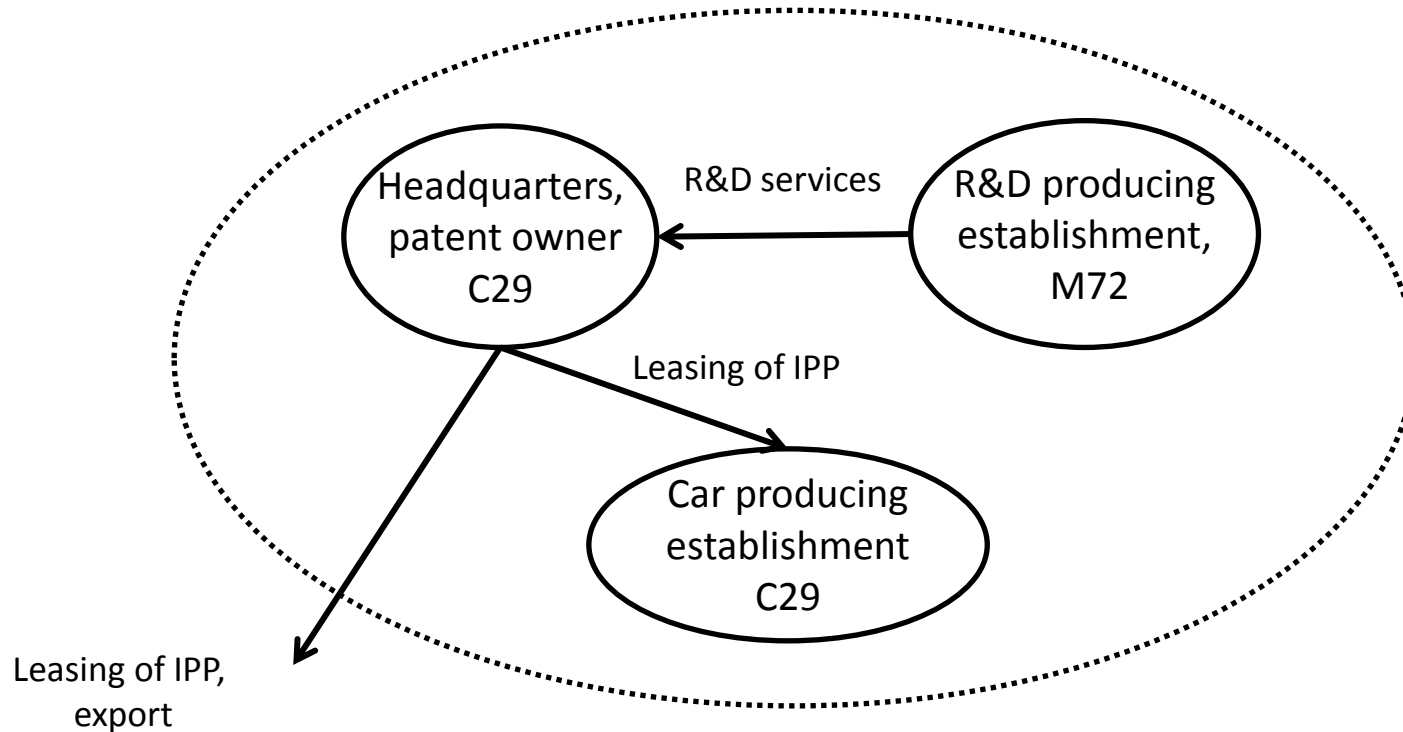
- When manufacturing has been totally outsourced merchanting flows will be the main revenue to cover the R&D and management costs unless we impute leasing.
- The solution in GMGP is to classify the FGP in manufacturing by accepting IPP inputs equal to material inputs.
- Alternative; impute leasing of IPP and accept royalties for the use of patents on specific goods to be part of manufacturing output.

The current model, FGP case



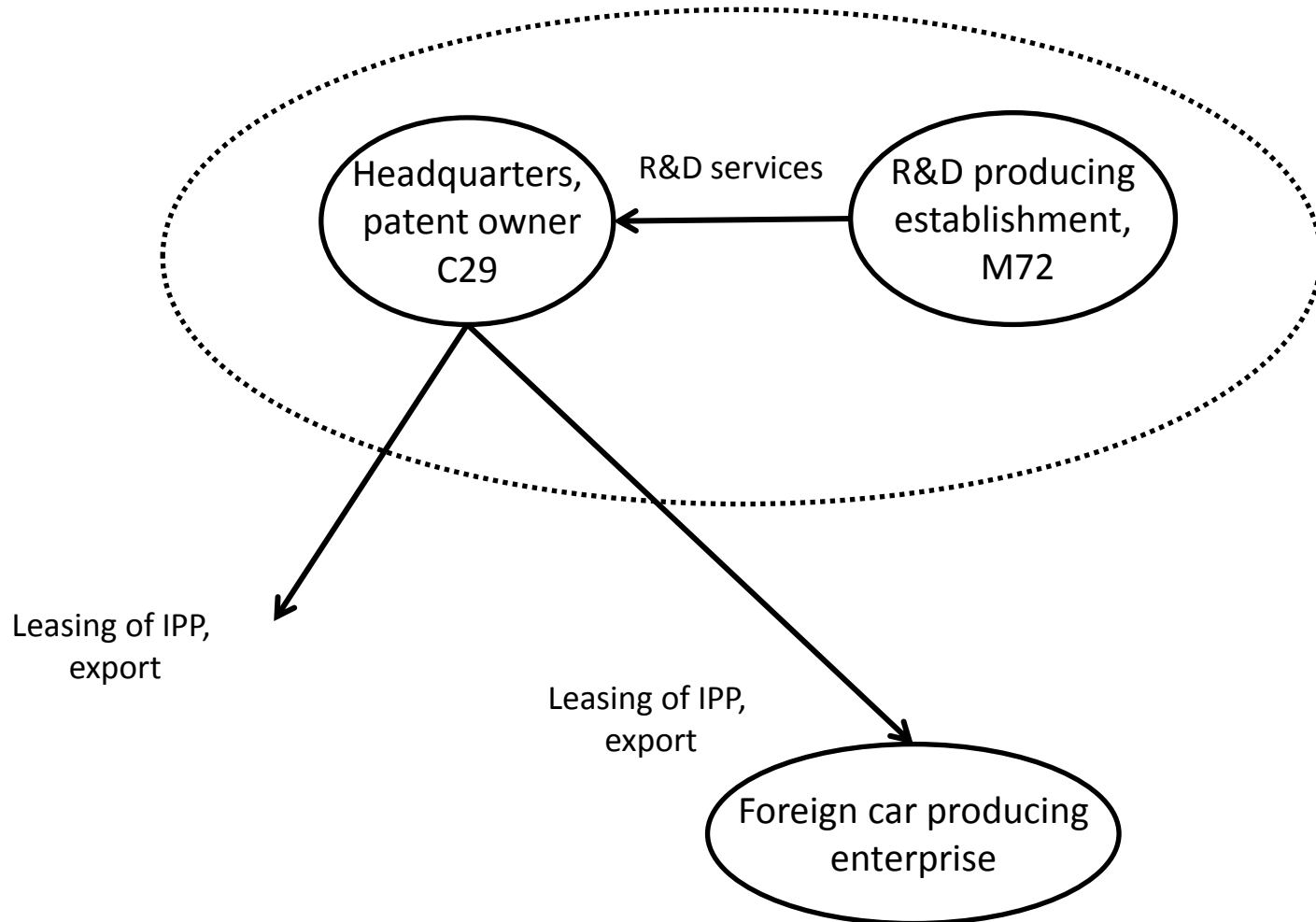
The GMGP model

Institutional unit, enterprise



The GMGP model, FGP case

Institutional unit, enterprise



Thanks for your attention!

