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**EXPERIENCES IN COSTING AND PRICING OF
STATISTICAL PRODUCTS IN ECE MEMBER COUNTRIES¹**

Paper prepared by the UN/ECE Secretariat

EXPERIENCES IN COSTING AND PRICING OF

¹The information presented in this paper has been derived from the "Handbook of official statistics in ECE member countries"

STATISTICAL PRODUCTS IN ECE MEMBER COUNTRIES

INTRODUCTION

This paper summarises different national experiences in various aspects of costing and pricing of statistical products and services. This area of management in statistical offices is important for all national administrations. Over the last several years, most national statistical agencies have introduced certain changes and adjustments in costing and pricing of their statistical products.

The position of statistical offices within the framework of the national public administration varies somewhat from country to country as do the methods of financing. In recent years a general trend towards stricter financial discipline have had an impact on financial management in national statistical agencies. Many are now expected to become able to generate revenues for themselves and to be less dependent on the diminishing share of government budgets allocated to them.

In a number of offices, the practice of complete budgetary financing of activities of the statistical agency is now being replaced by new strategies and policies for pricing and costing of statistical work.

II. Costing - Statistical products subject to costing and determination of costs

As a result of the reduction in budgets, costing of statistical products in both printed format (bulletins, reports, studies, yearbooks) and in electronic format (diskettes, tapes, CD-ROMs) have increased in importance. The costing of statistical products takes into account a combination of factors such as labour, computer time, composition of publications and documents, printing, costs of diskettes, tapes and CD-ROMs, costs of distribution, and lately - marketing. In addition, overhead costs covering management, personnel, finance and other associated services are usually taken into consideration.

Special statistical surveys, analysis, data processing projects requested by clients and all ad-hoc statistical works not covered by regular statistical programs are also subject to costing in almost all statistical offices. The practice applied to costing of these services varies somewhat from office to office, but most often costs are calculated on the basis of personnel involved, computer time and overhead costs incurred by such special projects. Sometimes costing also includes amortisation of expenditures on equipment, as well as costs associated with dissemination of information (for example on-line systems) retrieval and tabulation.

Some offices (see Box 1) have developed original costing policies and use the costing information for continuous adjustment of the resources available for the statistical work which is to be carried out.

The costing information is used in the internal planning routines and in the plans and proposals of the budget estimates. The costing information is also often used to price products commissioned by commercial customers or other governmental agencies.

Box 1. Calculation of costs in Statistics Denmark

Statistics Denmark is divided into a certain number of entities of either a statistical or functional nature. These are further divided into “activities”. It is at the level of the “activities” that the costs are calculated. In general, an activity corresponds to a “field of responsibility”. All “activities” are subject to an annual calculation of costs. Determination of these costs is based on reports from all staff indicating the time devoted to each activity and the time for data-processing. Operating costs are calculated on the basis of the average use of resources, and are included in the costing of individual projects as overhead costs.

Costing of statistical products in Statistics Finland

In statistics Finland, all activities are allocated to products. These products are classified as (i) products financed by budget appropriations; (ii) own-account activities used in production, and (iii) products made for commercial purposes. A typical product belonging to the first category would be, for example a datafile of a certain statistics or a development project. Products belonging to the second category are various products of EDP-use, staff administration, training, sales services, etc. Finally, products in the third category are sold on a commission basis or are ready-made products. Costs are allocated to products directly or indirectly using accounting data, internal invoicing or various quantitative indicators. The data of direct costs are available monthly and those of indirect costs annually (overhead costs).

III. Budget and its structure

The costs of operations/activities of most national statistical offices are covered from their budget. The budget is typically allocated by the national assembly, or council of ministers, or some other body within the framework of government administration which approves the program of statistical work and activities of the national statistical office as well.

In many offices all activities are financed on the basis of a national statistical programme which is approved on an annual basis. Special surveys and statistical activities outside the national statistical programme are usually carried out upon request and are financed by the requesting administration, institution/body.

A typical budget of a national statistical office has the following headings on its costs side:

- personnel costs (wages, pension and other contributions, travel, training, etc.);
- operation and maintenance costs;
- consumption of materials, printing, computers, photocopiers, etc.

The revenue side of the budget has the annual appropriation from the general expenditure state budget and the revenue derived from activities of the statistical office (for example, proceeds from sales of statistical information, subsidies from government and other sources, remuneration for special services, etc.)

In some offices budgetary expenditures and revenues are split according to the organisational structure (federal office and local offices), branch structure and economic types of revenues and costs of the

office. This accounting technique allows the office to keep track of costs in relation to individual organisational units, and individual types of expenditures are broken down in detail. This information is further used for assessment of the financial performance of the office, determination of prices for individual products and identification of the overall financial needs of the office.

In recent years the declining budgetary resources available to statistical offices have forced many offices to redefine the ways in which they manage their finances, and to adopt a market orientation and sales strategies in order to generate necessary revenues. The growing need to satisfy new customers and earn revenues has forced statistical offices to produce more timely statistics, to improve the presentation of their products and ensure that these correspond to demand.

One of the facts that perhaps best illustrates these development is the phenomenal growth of World Wide Web presence of national statistical offices. In May 1996, at the time of the previous work session, only about 5 - 6 national offices of the ECE member countries were present on the WWW. A year later, there are no less than 28 national offices and a further 8 are expected to open their WWW site during 1997.

IV. Pricing - Products subject to pricing and products excluded from pricing

In general, most of the products and services rendered are subject to pricing. The list of all products and services subject to costing varies from one country to another but usually include publications (paper, diskettes, CD-ROMs), access to data-banks, replies to requests for information requiring a certain amount of research and computer-time, specially commissioned surveys and similar statistical work, supply of information on business entities and special processing of existing data.

All national statistical offices are still dependent on budgetary financing from government sources. Consequently, they have an obligation to supply a number of domestic and foreign users with their products, most frequently printed publications, free of charge. The office of the prime minister, various ministries and other government bodies, national and university libraries, media, diplomatic missions of the country and international organisations are the most common recipients of statistical publications and other statistical products free of charge.

All offices exclude from pricing the information they produce about tasks and programmes of the office, information bulletins and brochures listing publications and other products as well as their prices. Similarly, statistical offices do not usually charge for basic information given in response to telephone inquiries and personal visits.

The pricing principle which is most widespread is to charge marginal costs, i.e. not to include costs of data collection and primary processing of information which is considered as having already been paid for by the taxpayers. Therefore, only indirect costs and supplementary direct costs - generally connected with printing, costs of materials, dissemination and marketing, are charged for. This approach is customary in offices which rely heavily on budgetary financing from the government.

Some countries have a very elaborate methodology for determining the prices of their various products. One such example is presented in Box 2 on the following page.

Box 2. Use of different pricing formulae in Italy

Prices of publications - the costs of typesetting and printing are taken into account. The price of each publication vary according to the number of pages.

Work on request - price is determined taking into account the cost of staff (per hour), use of equipment (data processing), and some materials. In addition, 30 per cent is added to this amount for overhead costs and costs of distribution. Government departments, universities and other public institutions are exempted from this 30 per cent.

Foreign trade statistics - charges are per page of data with a decreasing tariff.

Data from data-bank are distributed in three ways: (i) through direct access for public administration and government bodies in return for an annual fee, with a discount of 10 per cent for universities and research institutes; (ii) through "hosts" for redistribution to individuals, in return for a single payment for access to existing data and an annual subscription fee for the monthly updating of data; (iii) through "Distribution centers" of the central and regional offices of ISTAT directly to the public, for a fee based on the number of pages tabulated.

Access through telecommunications (VIDEOTEL system) - ISTAT disseminates regularly updated series of the main demographic, social and economic data through VIDEOTEL. Access fees for this service are established by the company that operates the system.

V. Future work

More and more national offices are establishing their presence on the World Wide Web and others are expanding the amount of data and information already available. The issue of costing and pricing of statistical products and services is becoming even more important in the context of WWW presence. It is quite apparent that there is a widespread recognition of the importance and power of the WWW as a dissemination channel. However, at the same time there is clearly a lack of coherent pricing and costing policy for Internet and WWW presence.

While almost all statistical offices have more or less elaborate pricing and costing policies regarding statistical products in all forms, it is not clear what kind of policies they have for calculating costs and prices of products available through WWW. Only a couple of national offices (and international organisations) have established prices for accessing information and data available through WWW (see box 3).

Box 3. Prices of WWW information

"The OECD weekly publication "OECD HOT FILE", which was previously circulated on a confidential basis to managers and analysts inside the OECD, is now available on the WWW on a subscription basis. All those of you who monitor developments in international economics need the very latest official statistical information. To assist you in this task, the OECD has decided to put at your disposal the OECD Hot File on the WWW. By simply subscribing to the service, you will receive a password giving you full access to the weekly OECD Hot File..... a special one-time 3 month introductory offer for the price of:

FF 990; US\$ 198; DM 280; Yen 22 500.

Or better yet, why not enter an annual subscription for just:

FF 4 900; US\$ 990; DM 1 420; Yen 112 700.

For more information on this new statistical service of the OECD, please contact.....".

United Nations on its WWW site has made available the Monthly Bulletin of Statistics on the following conditions:

"Access to Monthly Bulletin of Statistics On-line is limited to users who have paid for a 1997 subscription to the MBS. The annual subscription charge for the Bulletin is US\$ 525, with a discounted rate to academic and not-for-profit institutions of US\$ 295. The annual subscription fee now covers both the monthly hard copy publication and full access to MBS On-line on the Internet World Wide Web.

Subscribers may request MBS On-line only, but there is no separate subscription rate available for MBS On-line....."

In conclusion, the following questions deserve to be considered in future expert meetings:

- Considering the Internet's technical aspects, what are the guidelines to be followed by statistical offices in costing the products made available through this channel of dissemination?
- Given the greater emphasis in national statistical agencies on revenue generation, should the agencies be exercising their copyright and what principles should be applied to pricing?
- What are the real costs and benefits (in terms of engaged resources and earned revenues) of data and information dissemination via various on-line access systems (Internet, teletext, CD-ROMs, diskettes etc.) versus traditional dissemination techniques (written/printed/published material)?

As more and more statistical offices gain experience in using the Internet as a vehicle for dissemination of their products and communication with their users, answers to the above and related questions will increasingly be needed. New technologies are already calling for more profound changes in traditional ways statistical offices used for dissemination of their products. The deliberations of this group of experts and exchange of experiences with other fora can contribute to finding efficient answers to costing and pricing problems experienced by statistical offices.
