

Public Disclosure Authorized

# Report to Regional Coordinators of TAG Meeting Sept 22-24, 2004

Public Disclosure Authorized

# Ring Comparison-I

- 1. List of Items. How should it be related to the Regional lists? What is the role of the Global Office, the Regional Coordinators and the Countries.
- 2. What will be the process of formulating the Ring list of items?
- 3. When will pricing take place? Seasonal Issues
- 4. Where in the Ring Countries will pricing take place? How are national average prices to be obtained.

# Ring Comparison-II

- 5. What will be done in those areas where methods in the Regions may be different from those in the Ring? For example, house rents, machinery and equipment and construction.
- 6. How will the Ring countries be linked to the Regions at the basic heading level?

# House Rents

- 1. Methods informed by paper of Derek Blades and work of OECD and Eurostat (Sergeev), and a working group of the OECD and Eurostat.
- 2. Proposal will be discussed about when to use rental surveys and when to fall back on user cost.
- 3. Problems of reconciling treatment of rents in the ICP with that in the national accounts was extensively discussed. TAG recommendations will be made Tuesday afternoon by Silke Stapel.

# Health, Education and Government

- 1. TAG recommendations primarily relate to the contents of the questionnaire on government salaries developed by Eurostat and the OECD. These and health and Education to be presented Wednesday morning.
- 2. The TAG discussed obtaining estimates of capital services of government in education, health and general government and agreed that this possibility will remain a research item.

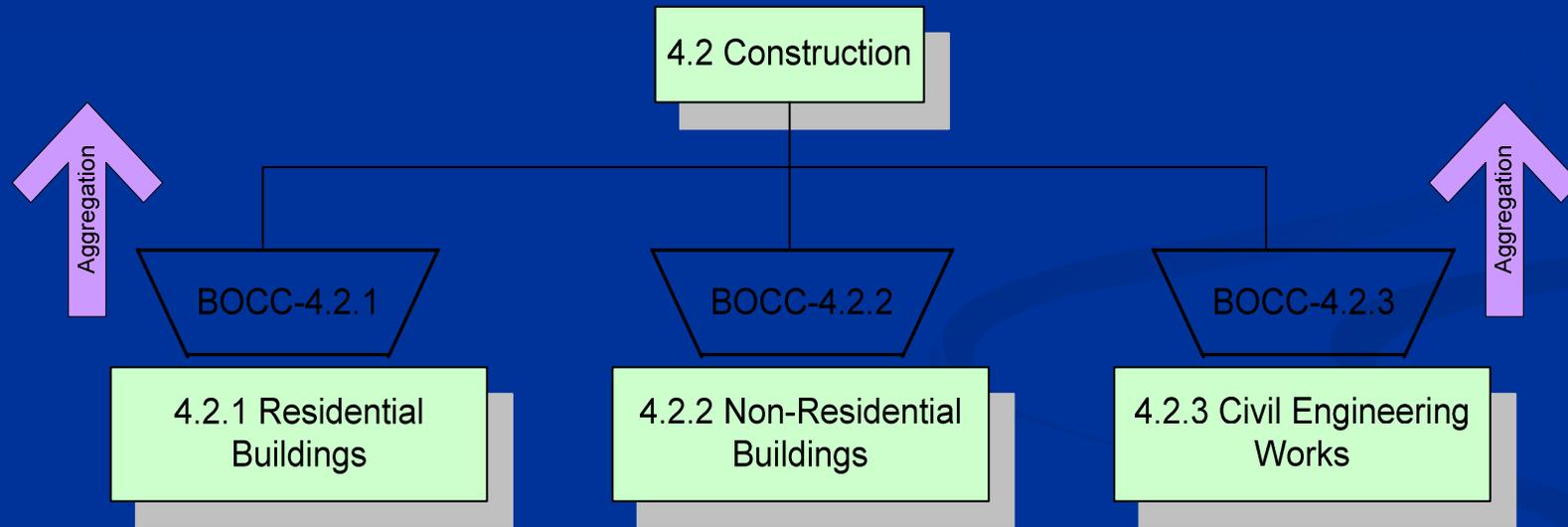
# Machinery and Equipment

- 1. TAG discussed the paper of Derek Blades that proposed a 2 fold approach to these headings:
  - A. Using exchange rates with adjustments for freight, markups, taxes, tariffs, etc. for countries that import most of their machinery.
  - B. Using traditional price comparisons.
- 2. This proposal and modifications suggested by the TAG is to be discussed Thursday AM.

# Construction- The BOCC Methodology

- This methodology requires pricing of identified construction components
- Construction components are the building blocks of a construction project
- Construction projects have some similar construction components

# Construction- The BOCC Methodology



# Construction- The BOCC Methodology

Basket	Component Name	Construction System
Residential Sector	Structural Column	Structural
	Footing	Structural
	Portland Cement	Structural
	Reinforcing Steel	Structural
	Cement Plaster	Finish
	Painting	Finish
	Electrical Service Point	Electrical
	[Air handler]	Mechanical
	[Install DH Alum frame window]	Envelope
	[Install pre-hung door]	Interior Partitions

# Construction- The BOCC Methodology

Basket	Component Name	Construction System
Non-residential Sector	Structural Column	Structural
	Footing	Structural
	[Elevated concrete slab]	Structural
	Portland Cement	Structural
	Reinforcing Steel	Structural
	Cement Plaster	Finish
	Painting	Finish
	Electrical Service Point	Electrical
	Network Service Point	Electrical
	[Air handler]	Mechanical
	[Install DH Alum frame window]	Envelope
	[Install pre-hung door]	Interior Partitions

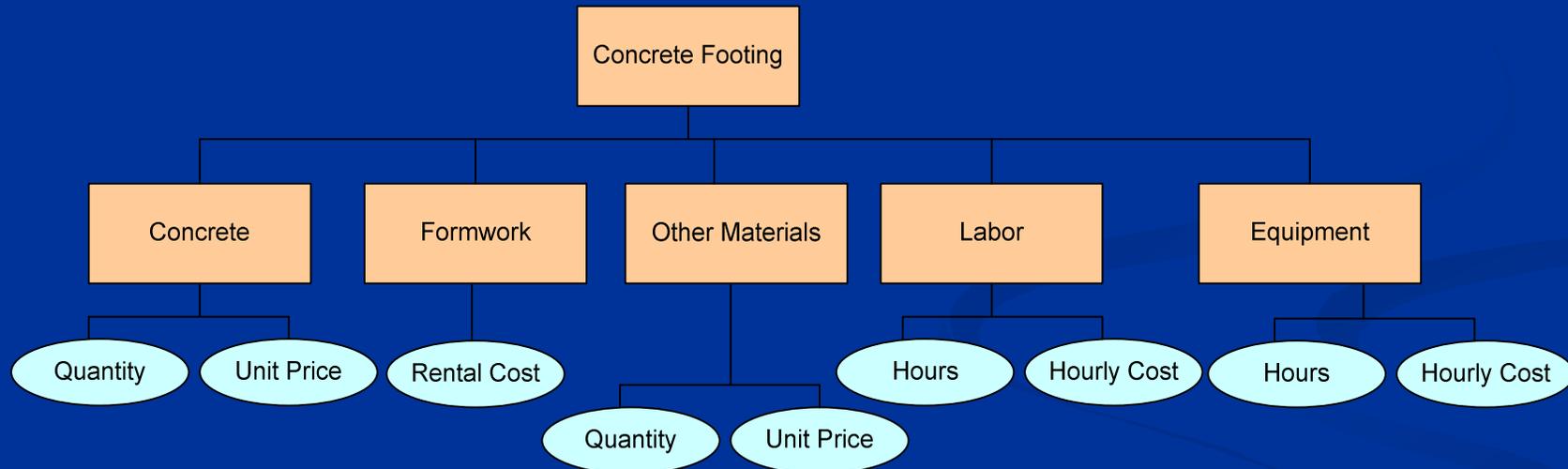
# Construction- The BOCC Methodology

Basket	Component Name	Construction System
Civil Engineering Works Sector	[Excavate 100m trench]	Site Preparation
	[Compact ___m <sup>3</sup> of fill]	Site Preparation
	[Move ___m <sup>3</sup> of soil a distance of ___km]	Haulage
	Structural Column (bigger?)	Concrete
	Footing	Concrete
	Portland Cement	Concrete
	Reinforcing Steel	Concrete
	[Pave 1 lane-km of roadway]	Asphalt concrete
	[Drainage culvert] or [Pipe Installation]	Utility/Drainage works

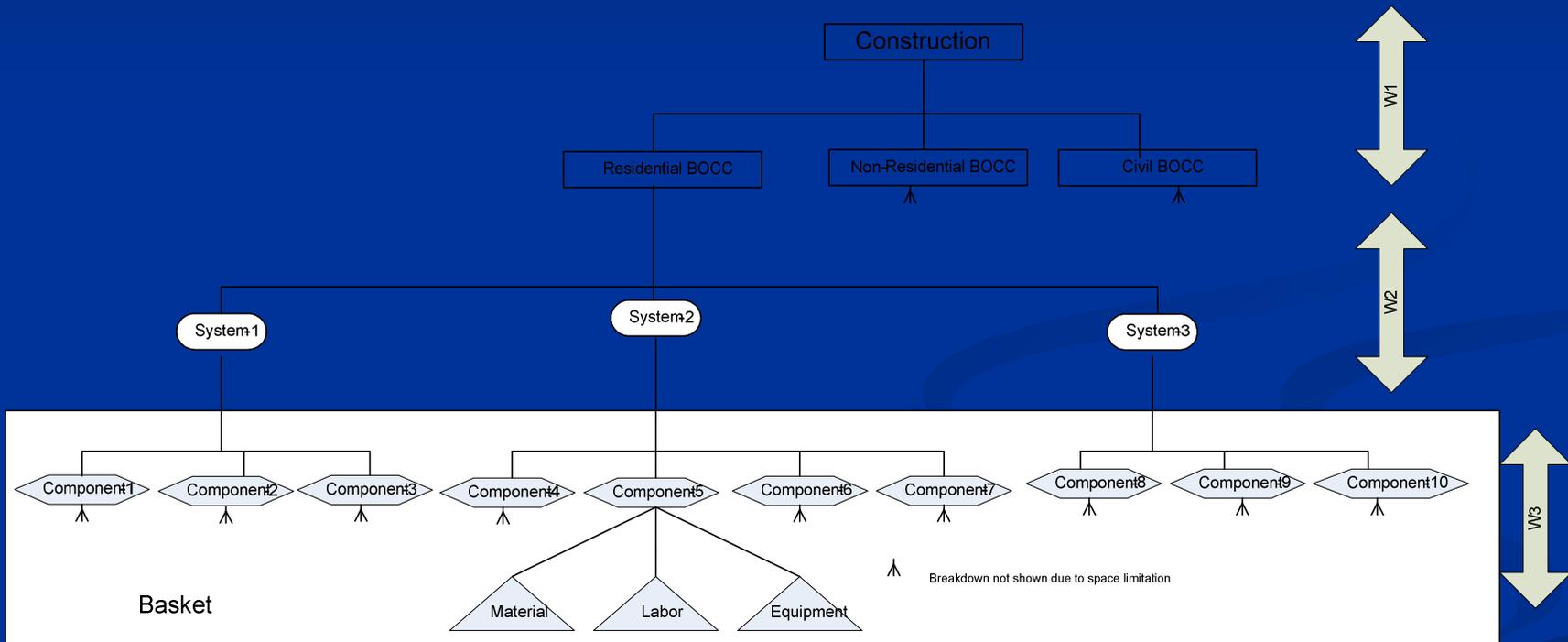
# Construction- The BOCC Methodology –Price Collection

- BOCC will use the SPD/PS methodology for price collection
- Identified components are representative and comparable
- Country resources such as public works department and published schedule of rates can be used for pricing
- Countries will be required to price 50 to 60 components
- BOCC methodology can also be adopted for inter-temporal price index

# Construction- The BOCC Methodology-Data Needed



# Construction- The BOCC Methodology-Data Needed



# Construction- The BOCC

## Methodology-Expenditure Weights

- W1—for aggregation of residential, non-residential and civil engineering baskets
- W2—for aggregation of systems
- W3—for inclusion of labor productivity and labor/equipment tradeoff
  
- W1 already available and W3 designed into BOCC

# Construction- The BOCC

## Methodology-Expenditure Weights

- Determined at country or region level
- Historical construction project pricing information needed
- Key goal is to determine percentage breakdown by system type
- Needed for each basket (residential, non-residential, and civil engineering)

# Construction- BOCC Summary

- Construction components in the form of SPDs provide a promising methodology for construction sector PPP
- Potential increase in representativity, comparability, and reliability
- Reduction in expertise and resources requirements for price collection
- Construction sector PPP methodology can resemble the methodology used for other sectors

# Tag Questions

- 1. The Global Office and TAG want the capabilities created in the countries for using this methodology for the ICP and for their own construction indexes if desired. TAG would like to see their questionnaire and manual become a part of country practice. This could be as has been done, country visits or involve a regional expert.
- 2. In addition to country price data, weight data will need to be either regionally determined, or across types of economies. The TAG believes this requires a type of regional study that would need as input as much information as countries can provide.