

Welcoming Address by the Australian Statistician

I would like to welcome you to the sixth meeting of the international working group on price indices — the so called Ottawa Group. I am pleased Australia is hosting. Australia is an original participant in the Ottawa Group and has attended each meeting.

In particular, I would like to welcome the representatives from various Asian countries particularly those who are attending for the first time. ABS is keen to continue to work closely with our near neighbours on statistical matters to improve the development of statistics in our region. It's an important aspect of our recently revised Corporate Plan.

There is a valuable role for the Ottawa Group to play in the field of price indexes - as forces of globalisation bring economies closer together, there is greater demand for statistical agencies to produce data of a high quality that is consistent between countries. There is also a continuing need to share research and development experiences. There are a number of particularly challenging areas in the field of price statistics. Many of these are in rapidly growing areas of services and we are pleased that there will be particular focus on financial services and telecommunication services during the meeting.

Producing statistics such as the CPI to a high quality is no simple task. There are issues to do with pricing to constant quality as well as challenges in dealing with new goods and goods that disappear. There are also possibilities for improving the CPI through the use of scanner data — particularly in undertaking research directed towards establishing better methodologies. I am glad to see the Ottawa group paying continuing attention to these issues.

There is a good agenda for this meeting. The three main topics of scanner data, and pricing of financial services and telecommunication services are extremely important for Australia and no doubt many other countries. The activities of the Ottawa Group are important but they are also expensive. It is up to the Group to ensure good value for money is obtained on the important topic of price statistics. I believe that the Ottawa Group meetings would become more useful if:

- they do not become talkfests — they lead to real improvements in price statistics;
- they are not pitched at too esoteric a level, whilst recognising this may be necessary for parts of the discussion;
- the Ottawa Group draws some conclusions from its discussions, particularly on implications for CPI practices. Sometimes the conclusions may be of the form "more work needs to be done" but hopefully the conclusions are more informative for most discussion items; and
- the papers and conclusions from the meetings are shared beyond the meeting participants.

I would also like to inform you of Australia's involvement in recent key international price index developments which I thought might be of general interest.

- We have participated in each round of the OECD Purchasing Power Parity Program since 1985, with the results feeding into the broader International Comparisons Program (ICP) coordinated by the World Bank. We have in the past criticised the reliability of PPP results, but now believe that initiatives taken by the OECD and Eurostat have led to a significant improvement and we will be a contributor to future rounds.

- We were also a strong critic of the revised ICP program put forward by the World Bank at the 2000 UN Statistical Commission meeting. We did not believe it gave sufficient consideration to documented quality concerns or leave sufficient time to organise a well thought through development program. The UNSC appointed a Friends of the Chair to assist the World Bank to prepare a revised development program which has now been prepared. In the light of discussion at the recent UNSC meeting, the ABS has offered to undertake a coordinating role among Asian countries in relation to their contribution to the ICP.
- We support the development of international manuals in the area of price statistics. These should be aimed at improving compilation practices — particularly in developing countries who are the countries most likely to use them in detail — and thus the accuracy and comparability of price indexes. We feel that the manuals should provide basic concepts and objectives, guidelines to best practices and procedures - recognise real world situations and provide options that can work in practice. The manuals should be clear with many illustrative examples. We are concerned that existing drafts of the CPI Manual have not targeted the right audience and are pitched at too technical a level — we will be interested in Ottawa group members' views on this when we come to the discussion on this topic later in the week.
- Bill McLennan has undertaken a consultancy for the ILO to redraft the resolution on consumer price indexes. I think he has done a splendid job and the ABS supports the document he has prepared. The draft resolution will be discussed at an ILO meeting later this year.

There are also a few recent developments in the Australian price indexes I thought might be of interest.

- There was a change in the principal purpose of the CPI with the introduction of 13th series in September 1998; away from a household living cost approach to a measure of household inflation. The ABS has committed to produce analytical living cost indexes for selected population subgroups; we intend to release indexes for employee households, age pensioner households, other government transfer recipient households and self-funded retiree households in the next month or two. These fundamental changes to the Australian CPI were very well received in part because there was extensive consultation beforehand.
- We are pursuing two major initiatives in regard to the CPI — financial and telecommunication services. In 1998 we announced our intention of including a range of financial services in the CPI, especially an aggregate measure picking up both the direct and indirect charges associated with deposit and loan facilities. We are now receiving most of the information we require from the major financial institutions to construct these measures. We are still not certain, though, when we will be able to incorporate these measures into the CPI. In recognition of the failure of traditional index number techniques to cope with the rapidly changing telecommunications sector, the ABS is moving towards adoption of a so called sample of bills approach.
- In 1997 we released an information paper proposing a family of price indexes for the whole economy. An information paper discussing in more detail the proposed

construction of the domestic final purchases index (one of the key indexes in the "family") and providing experimental estimates will be released shortly.

- Stage of production indexes have been released for over 12 months and we have received excellent feedback on their usefulness in increasing understanding of inflationary pressures.
- We are improving the efficiency of producing price indexes. We have participated in benchmarking exercises, both internally and externally with the UK. We will shortly be undertaking a review of our prices program, looking at practices such as changed methods for price collection and greater sharing of resources and systems across all price indexes.
- We will also be looking at expanding the scope of the CPI to non-metropolitan areas, as well as the possibility of constructing spatial indexes.

Finally, I would like to repeat the welcome and encourage participants to have a good time. The opportunity is here for the Ottawa Group to closely examine important CPI issues and present options, so that there is a clearer vision of the best approaches to addressing these issues for the benefit of all statistical agencies.

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