

ALL GO BUT SOME STOP FOR ALLSOPP



The Allsopp Review of statistics for economic policymaking was initiated in February 2003 by the Chancellor of the Exchequer, the Governor of the Bank of England and the National Statistician and work began in June. Its 1st Report was published in December 2003 and contained 45 recommendations, largely those concerning economic data required to support regional policy. A Treasury seminar in January gave an opportunity to some of those interested in the outcomes – producers and users, to hear the comments of Ed Balls, who said it was the intention to implement the

recommendations in full if there was a consensus in support, and representative speakers from the Treasury, the Scottish Executive, the GLA and ONS on the proposals.

The body of the report is a compendium summarising existing data available and used in policymaking and monitoring, a number of recent developments – additions and improvements, some evaluation of quality and gaps leading to proposals for further desirable action. Reference is made to the need for cuts in some areas to allow expansion in others.

It is well-worthwhile reading, even for those who try to keep abreast of the subject, because it may illuminate for them the spectrum, to use Rumsfeld's coinage, from the known known to the unknown unknown.

Although the report's main thrust related to regional aspects, some of the proposals had wider implications at the national level. These included both macro- and microeconomic statistics, for example:

Improving the annual business inquiry, boosting the labour force survey and speedier investigation of the divergence between employment estimates from these two sources, seeking ways of reducing the costs and burdens of PRODCOM, continuation of improving coverage of service sectors, minimising compliance costs.

Topics which may be of specific interest to readers are user groups and compliance costs/burdens. On the former, the full text is:

"We are concerned that users should remain closely in touch with all ONS developments and have a significant role in any debate. We therefore strongly support the existing ONS (sic) 'user groups', but stress that they must be properly resourced from both ONS and user perspectives in order to function effectively. However, we are equally concerned that the groups are not just 'talking shops', but fora where real issues are addressed and resolved. This might require the extension of resources specifically for these purposes and development of new groups where necessary. We believe such user groups are critical to key users' perceptions of the ONS more generally. They also offer opportunities to examine the types of analysis that the ONS might provide for businesses in exchange for their co-operation with surveys."

EDITORIAL

WAGGING AN INDEX FINGER

It is breath-taking that, without batting an eyelid, if such a metaphor can be descriptive of the Treasury, let alone the Chancellor, one now sees repeated references to the inflation index being targeted by the MPC as 2 per cent, being applicable to the new Harmonised Index of Consumer Prices (HICP) when it was 2.5 per cent originally designed to relate to the Retail Price Index (RPI). The general public's memories are indeed assumed to be short. The changeover was announced on 10 December 2003, underpinned by a technical paper published by ONS, which included a historical comparison of the behaviour of both indices. In recent times

the RPI has performed around its target, whereas the CPI has been well below this newly-announced one. The Treasury letter to the MPC communicating its new target states that "the difference between CPI and RPIX inflation is expected to narrow markedly from 1.3 percentage points in October 2003 to 1/2 a percentage point two years ahead." Another moving goal-post.

By contrast, the index used to uprate pension increases remains the RPI, when pay for those in employment is assessed in relation to movements in the Average Earnings Index (AEI).

FROM THE LYONS DEN TO THE STYX

Tucked away within the recesses of the recently published Lyons Review of Public Sector Relocation are tables of estimated numbers of staff considered to be relocatable, which means away from London and the South East. Of ONS's current staff of 3451, 1628 are in this affluent corner of the land. Of these, the number identified as being movable is 1125. The agency which is in major restructuring mode and was planning to implement its plans in 2007, is being admonished to accelerate this. Though no job losses are logged for ONS, a general

disappointment has been expressed by 'bloodhounds' seeking offers from departments for retrenchment. The worry for close observers of the statistical landscape is an ever-present threat, in a climate of cut-backs, of the reappearance of the spectre of Rayner. Furthermore, readers might even gasp at the revelation that the number of economists in the Government Economic Service had increased from 455 in 1992 to 810 in 2003; and perhaps even more surprising is that over 90 per cent of them work on microeconomic issues.

CONTINUED ON PAGE 4

THE USE AND VALUE OF THE 2001 CENSUS STATISTICS IN THE MARKET

Report by Ulric Spencer of meeting on 17 March 2004

Sponsored by ONS and chaired by David Fleming, Applied Business Statistics Ltd, five speakers provided a well-attended, stimulating afternoon of presentations, balanced between users and producers.

Keith Dugmore, Demographic Decisions, spoke at length and at speed on aspects of the 2001 Census and the new Neighbourhood Statistics. He concentrated on innovations in the latest Census and indicated how financial service companies could derive value from them. He started by drawing attention to two major pointers: that the over 60s outnumbered the under 16s, and that there were more women than men in every age group over 21. At the local level there were some surprises, not just in the few controversial areas such as Westminster and Manchester.

Businesses need answers to such questions as: Who are our best customers? Which are our best prospects? What areas are best for our new outlets? Which branches have limited potential? What should we offer in each outlet? Where should we advertise?

Innovations in the latest Census concerned questions, coverage and 'one number', coding, geography, access and outputs. Though both were built from postcodes, enumeration and output areas differed. There were 175,000 output areas, containing an average 125 households (fewer than in 1991), designed for homogeneity. Access is free.

Online availability gives varying coverage of outputs; for example for England & Wales, standard tables are given for ward-level data (c25,000); for workplace and migration statistics – origin/destination – they are at output area and above.

Among criticisms mentioned were 'duff' data (the above-mentioned problem areas), complexity of data and because of lack of standardisation, some difficulties in comparing inter-country data and aggregating them to UK level.

Eight new suppliers of geodemographic analyses have joined the previously existing four. The introduction of Neighbourhood Statistics was a major addition, initially offering 16 variables for each ward; it is a service in development. There are great opportunities for data integration. Suppliers face infinite opportunities. Large numbers of new users can be expected. The new Census will change the future – a rousing thought.

In reply to a question about the Census outlook for 2011 or even 2006, a reminder was given that more data are being trawled from existing administrative sources, at relatively small cost.

Tim Drye, Data Talk (Statistical Solutions) Ltd, standing in for **Martin Squires**, M & S Money, described the use of Census data for segmenting and modelling customer databases. Whilst there is a surfeit of data (described as 'overload'), it is necessary to make marketing activity profitable, and it is increasingly possible, nay advisable, to combine GIS (geographical information systems). Location information, found in the overwhelming majority of relevant databases, provides deeper understanding of markets, customers and competition and helps to answer vital questions such as: Where are the most profitable customers? Where can more like them be found? Where should the next service centre be opened to better serve customers without undermining existing channels?

Data mining uses powerful analytical technologies to examine and thoroughly analyse data mountains; this is followed by trying to predict future behaviour. Various approaches can be used to understand customers: segmentation, propensity models, geodemographics and behaviour. Whilst data on existing customers were available, recruiting new customers needed external data. Using life-style and geodemographic tools, assisted by regression analysis to identify prospective customer types, leads on to tailoring marketing campaigns to try to acquire them. Since Census data have traditionally underpinned the tools now on offer, the improved free access to the 2001 Census opens up a new range of possibilities and improvements. It becomes possible to understand at low levels of geography the actual variables underpinning the profiles of customer bases and prospects ie greater 'granularity' of access should improve accuracy in achievement. It would be unrealistic to claim the task is easy; it requires a lot of good analysts, an understanding IT manager, much time and effort and probably some outsourced help. The greater the opportunity, the greater the challenge.

Examples of decisions made by M & S from such analyses included product mix and offers in specific stores, and stock ranges influenced by local profiles.

Doug Hird, Consumer Risk, Abbey, elaborated on the analysis of local markets and branch networks. Branch catchment analysis only works if customers are well-behaved, he stated startlingly. Local markets are defined by analysing surveys of customer retail activity within larger areas has indicated, by examination, that grouping branches within larger areas can be more sensible as customers may visit more than a single branch near them. Because an area can be quite large and not necessarily homogeneous, its constituent towns may show interesting ACORN similarities. Detailed data within an area are available. Larger areas allow local statistics

to be significant and reliable yet small enough for national needs to be supplied to local consumers.

Branch sales targets are set using a combination of overall sales targets, local sales history (Abbey vs competition), and local population demographics and trends. They then have to be 'sold' to regional and area managers, and in turn to their staff. *(NB My personal experience of sales target-setting taught me that if sales management was not consulted/involved, non-achievement resulted in the targets being described as 'unrealistic'. Compare feature on National targets on page 3)*

Optimising a branch network is seen as a cost-benefit exercise, considered both from the company and customer points of view, with the intention of aligning the company's resources with the needs of customers. Sources of data used include: existing branches and local markets, customer behaviour, market databases, geodemographics, etc. This is followed by gravity modelling to provide an understanding of the relationship between branches and customers. Milton Keynes was used for illustration.

Abbey analysts do customer risk assessment and propensity modelling, so they have and manage the data in one place; and they like to share this with colleagues. But a final salutary parting shot reminded analysts about those with whom they have to work that most field staff and decision-makers are not analysts.

Finally, two members of the ONS Neighbourhood Statistics Team introduced future plans for new Neighbourhood Statistics derived from the Inter-Departmental Business Register (IDBR), with **Claire Powell** kicking off. Starting from the current publication, *Size Analysis of UK Businesses, PA 1003*, and adding future enhancements, which emanated from the Review of the IDBR, would lead to an improved version and include ward level data. *PA 1003* has 18 tables containing count information for a mixture of enterprise and local unit data, tabulated by classification, size-bands both in turnover and employment, location and status. An analysis of bespoke data requests indicated strong support for analysis based on the most complete universe ie using both VAT- and PAYE-sourced units. The variables most in demand in these requests were classification, geography, turnover and employment.

In the 2003 edition, for enterprise units there is replication of size-band data by employment for tables analysed by turnover, employment and turnover ranges starting at 0, and geography tables expanded to include data at District level by turnover and employment size-bands. For local units, the tables are expanded to

SUS DATA WITH NEW NEIGHBOURHOOD MARKETING OF SERVICES

include the whole economy, the geography tables also include data at District level and a number of tables duplicate the analyses provided for enterprises. As a result the number of local units reported on rose from 168,000 in 2002 to 2,057,000 in 2003, and about 8,800 more enterprises were added. For future editions, following investigation and checking of PAYE-based units, all tables will be produced for VAT- and/or PAYE-based units, bringing them into line with Inquiry Universe Criteria.

Andrew Sage then traced the trail of the August/September 2003 consultation with users in other Government Departments and local authorities, Neighbourhood Statistics Board members and its operational team, key demographic users and Data Analysis Service customers. Examples of eighteen possible ward-level dummy tables were produced for five sample ward types: rural, residential, industrial, town centre and mixed residential/business. The range of data covered enterprise/local units, employment and turnover count, public/private & single/multi-site activity, country of

ownership, age of business, and stock, births and deaths analysis.

The conclusions of the consultation indicated strong support for the existing *PA 1003* tables, a preference for local unit data, favourable reactions to age of business analysis, reasonable demand for data on stock, births and deaths but little interest in country of ownership.

Forthcoming developments planned for October 2004 using Ward 2003 boundaries are:

- Existing tables replicated (including local unit level)
- Pilot tables developed with Business Demographics

A new table will be added to *PA 1003* showing a count of enterprises by age of business by geography and classification.

Additions in October 2005 will be count of enterprises by age of business at ward level, and business stock, births and deaths. In the longer term it is planned to add: tables at

ward-level in the year following a first appearance in *PA 1003*; employment tables at local unit level; and the validity of turnover of local units will be investigated.

An annual sample survey of 9000 local units is conducted each August with a top-up in November. The results are incorporated in the Register in the following July. Dun & Bradstreet is the source used for enterprise group structure.

To protect confidentiality, numbers in cells are rounded to 5 or 0. Time series will be compiled forwards but not backwards. For those interested in manufacturing, no classification breakdown will be provided below 'Production', but a number of Service sectors are shown separately. Data for small businesses include only those which can be VAT- or PAYE-sourced. The meeting ended with the expression of a need to continue the debate about disclosure principles, a vexed subject among users.

This report is a summary of the speakers' presentations. Their full slides are viewable at www.bsug.org.uk

NEWS FROM HM TREASURY

TARGETS TARGETED

As numbers people, we should have been revelling in the regime, gradually introduced since 1997, of taking as many measurable indicators as possible and adapting/adopting them as targets. However, notorious examples have included hospital waiting lists, train performance and 50 per cent of a cohort to enjoy a university place. Counting how many targets have been created may be well-nigh impossible, for where does one draw the line. But even for number-crunchers the practicalities may eventually prevail.

A Treasury consultation document, issued at Budget time, signposts the intended reduction or abandonment of targets in a 'set the people free' approach. The present 130 public service agreements set this summer are planned to be reduced and 500 lower-tier agreements will be scrapped. But such numbers seem small and only become plainer when, for example, 17 public service agreements among health organisations in reality mask the existence of over 200 measures.

The government is offering an opportunity that "enables and empowers rather than directs and controls", which is presented as an "evolution". It is now being recognised that "excessive external targets, measures and compliance" have been imposed, which have resulted in incoherent demands, huge weight of bureaucracy, lack of focus on priorities and handicaps for organisations' ability to deliver.

NEWS FROM ONS

REVISIONS EXPLAINED

'Revisions to statistics; their role in measuring economic progress' is a recently-published, scene-setting article by Len Cook, the National Statistician available from www.statistics.gov.uk. Aimed specifically at statistics users, it explains a number of procedural issues related to collection, publication and consequent revisions. The Statistics Commission also has initiated a research project on the subject.

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Total estimated compliance costs on ONS business surveys were nearly £29 million in 2002, relating to 1.76 million forms sent to 318,000 firms (out of 2 million included in the Inter-Departmental Business Register). Thus the average cost per form comes to £16. Major inquiries are listed in the table.

In view of its recommendations to expand survey work, the report attempts to

estimate the additional compliance costs which would be generated by enhancing the ABI at £12-17 million.

Comments were invited by mid-February and were to be considered in the preparation of the final report which was published on 31 March. Both reports are viewable and downloadable from www.hm-treasury.gov.uk/Allsopp.

Inquiry	Compliance cost	No. of forms '000	Cost/form	Complaints	
	£m		£	No.	Per 000
Annual Business	7.9	167	47	126	0.8
Monthly Distribution/Services	3.4	346	10	198	0.6
PRODCOM	1.9	37	51	45	1.2
Annual Register	1.3	127	10	18	0.1
Monthly Production	1.1	107	10	11	0.1
Others	13.3	977	14	288	0.3
Total	28.9	1761	16	686	0.4

Complaints numbered 686 or 0.4 per thousand forms.

NEWS FROM HMCE (AND IR)

NEW CHRIME STATISTICS

Members of BSUG and ITSUG should be encouraged to take an interest in and keep a close watch on the implications for statistics of the merger of Inland Revenue (IR) and HM Customs and Excise (HMCE), due to take several years, announced alongside the 2004 Budget as a result of a review by Gus O'Donnell, the Treasury's Permanent Secretary.

HMCE has been responsible for collecting trade statistics, both as part of the VAT returns and the more detailed Intrastat CN product-related data, via the Information Management Services (IMD) Statistics and Analysis of Trade Unit (SATU). Publication of the broad-brush figures is the responsibility of ONS, whilst detailed data are purchasable from three sales agents.

IR statistics have been handled by its Analytical Services Division covering personal income and wealth, savings and investment, and personal and company taxation.

It is therefore noteworthy that one of O'Donnell's recommendations is that "a significant new tax analysis and statistics unit should be established in the new department, with a work programme governed by a steering group including important Government stakeholders, incorporating and building on an existing analysis and research function in Customs and Revenue." Nothing like moving the deck-chairs around. No name has yet been offered for the new combined department. However, the Financial Times has jocularly offered one of its alcoholic prizes (a bottle of duty-paid whisky) for readers' suggestions. Among early entries reported are an appealing anagrammatic acronym: CHRIME. The winner announced three days before 1 April was 'Finance Collection UK', whose T-shirts are available NOW.

NEWS FROM THE STATISTICS COMMISSION

NEW APPOINTMENT AT THE COMMISSION

Allen Ritchie has been seconded from the Treasury, where he was head of public expenditure statistics, to the Statistics Commission as head of research.

THE LIBRARY & INFORMATION SHOW

ExCel, Victoria Dock,
London E16 1XL

21/22 April 2004

www.ebulletins.co.uk

ON LINE INFORMATION

Olympia Grand Hall,
London W14

30 November – 2 December 2004

Online-information.co.uk

BSUG WEBSITES

www.bsug.org.uk
www.dtistats.net/bsug

The **bsug.org** site gives the history, aims and objectives of the Group, Committee members' names and contact details, and information about forthcoming meetings, which can be booked on-line. The **dtistats.net** site gives access to current and back copies of **BSUG NEWS** and, in addition, reports of meetings.

SBE MEETINGS

CIPFA, 3 Robert Street,
London WC2 (6 pm)

Wednesday 21 April 2004

UNDERSTANDING THE FUTURE OF INTERNATIONAL OIL PRICES: WHY ECONOMISTS CAN BE DANGEROUS

PAUL STEVENS, BP Energy Economics
Professor, Dundee University

Wednesday 10 May 2004

EMERGING EURASIA: A VIABLE RIVAL TO US HEGEMONY?

CHARLES DUMAS, Lombard Street
Research

All enquiries about attendance or membership: Society of Business Economists 01923 237287

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