A Report into the Findings of a Feasibility Study to Produce an Index of Distribution for Wales

Index

Background

During 1998 ONS undertook a feasibility study to construct an Index of Production for Wales. There were a number of difficulties with the previous index –

- Lack of resources in the National Assembly of Wales had led to its suspension.
- The IM system was not year 2000 compatible
- The panel based approach was difficult to maintain

In addition the construction of an index by ONS was perceived to bring a number of further advantages –

- Improved methodology with a National Statistics seal of approval
- A greater statistical base of support
- The possibility of discontinuation of the top-up panel

The success of this feasibility study and the consequent production of the Welsh Index of Production and Construction (IOPC) led the National Assembly of Wales (NAW) to ask ONS to conduct a further feasibility study. The NAW has been under pressure to extend its short term statistical base with an aim to introducing short-term measures of GDP. ONS has been developing its own Index of Services with the initial work now complete for the distribution sector. ONS agreed to undertake a feasibility study on the distribution sector, building upon the methodology developed for the Welsh IOPC and ONS' Index of Distribution.

The distribution sector of the economy is Divisions 50 to 52 of the Standard Industrial Classification.

Div 50 Motor Trades
Div 51 Wholesale
Div 52 Retail.

Within Wales there are currently over 43,500 local units (LUs) on the Interdepartmental Business Register (IDBR) that are classified to these SICs. Data on turnover and employment for divisions 50-52 are collected by two ONS monthly inquiries, the Monthly Inquiry into Distributive Service Sectors (MIDSS) and the Retail Sales Inquiry (RSI). Data from both of these inquiries were used in this study. Employment is only collected for the final month of the quarter.

The RSI is a monthly sample survey into retail sales. For each four-or-five-week period, contributors report their retail sales for all their outlets and by mail order. The statistics include VAT. Instalment credit sales are valued at the credit price of the goods, that is including deposits and, where credit is provided by the shop**,** credit charges. Figures of credit sales relate only to the period during which the transactions took place; cash received from credit sales in previous periods is not included. A copy of a blank form that is sent to sampled contributors can be found at the end of this report.

MIDSS is a monthly sample survey which collects turnover data for activities carried out in Great Britain. Turnover is collected for the month in question and is defined as excluding VAT but consists of total takings or invoiced sales and receipts of the business in connection with the sale of goods and services. A copy of a blank form that is sent to sampled contributors can be found at the end of this report.

The work to be undertaken by ONS on this project included the following stages:

a) Develop methodology, based on IOPC, modifying where necessary
b) Construct an IS system to compile time series
c) Compile a Welsh IOD with a quality assessment of the results
d) Give recommendations on how this work can be taken forward.

The sections which follow describe the methodology and the results which have been compiled. Concerns over the suitability of the methodology led ONS, with the agreement of NAW, to undertake further analysis in order to suggest a possible way forward.

Methodology

The methodology used mirrors that used in calculating the IoPC for Wales. This uses the responses from companies with local units in Wales to the turnover question in the inquiries mentioned above to form the index. The turnover is then apportioned out using the regional weight which is calculated using the employment of the reporting unit (RU) to give an estimate of the turnover that is obtained from the units in Wales.

For example, imagine a company that has 4 local units: one in Wales, one in Scotland and two in London. This company returns a turnover of £12,000,000 and has 150 employees. There are 50 employees in the local unit in Wales, 20 in Scotland and 80 combined in the two London units. To calculate the Welsh component of this company we take the proportion of employees in Wales to the total employees for the company, that is 50/150 and use this to apportion out the turnover returned by this company. So, for this company we assume that the unit portion in Wales of this turnover was (50/150)* 12,000,000= £4,000,000.

The Post-Stratification Method

The index is produced using a methodology adapted from that used by the ONS Employment RAP to produce its short-term employment figures. The method includes taking the grossed sales/turnover and employment data supplied by the companies that are selected for any of the inquiries mentioned and combining it with the registered employment for companies held on the IDBR to produce a calculation called MET 5 (method 5). This, along with the previous quarter's MET 5, provides a growth in the industry that is applied to the previous quarter's results to produce the current results. It is essentially the growth, though, that provides the sales index.

The MET 5 is calculated using the following formula:

$$\frac{Grossed\ Turnover * IDBR}{Grossed\ Employment}$$

Where:

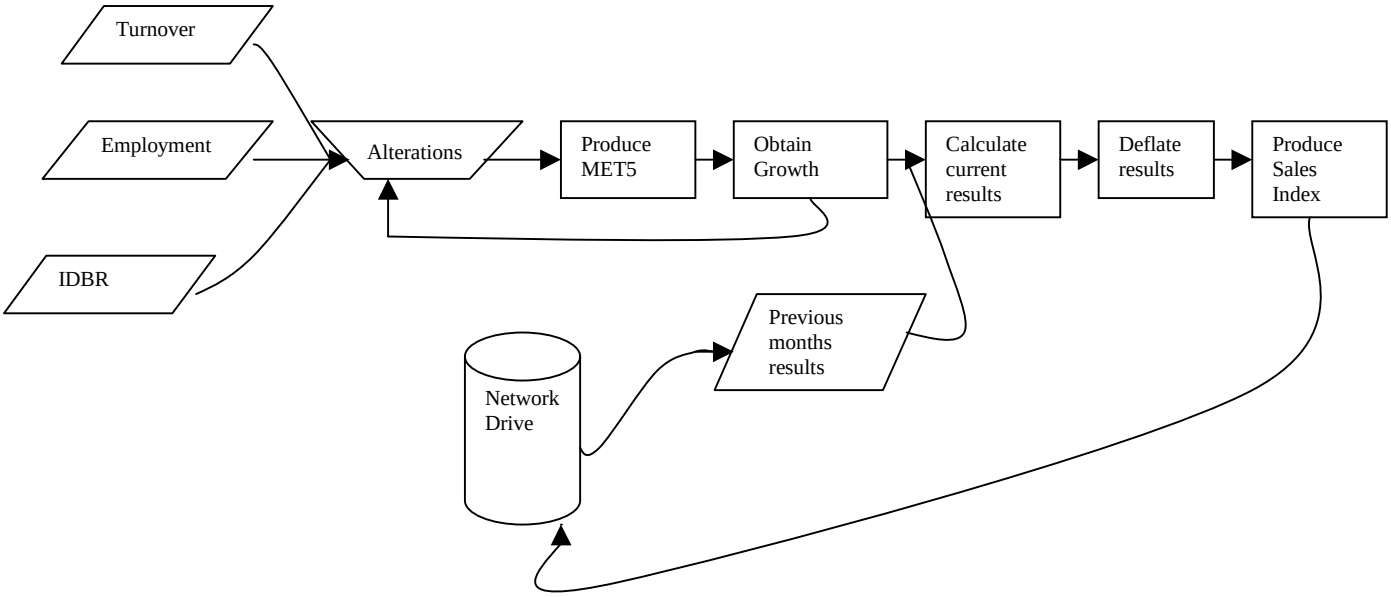
- *Grossed Turnover* is the total grossed turnover of all sampled LUs in the classification in Wales over the quarter (3 month period)
- *Grossed Employment* is the total grossed employment of all sampled LUs In Wales in the classification
- *IDBR* is the Employment held on the Inter Departmental Business Register for all LUs in the classification in Wales

Grossing the returns from the contributors to MIDSS and RSI helps us account for those companies that are not selected for the inquiry. Companies that are not selected for the six monthly results periods in MIDSS or RSI are excluded from the calculation of the MET 5 which is computed for each two digit SIC.

As the final results are based on turnover they have to be deflated in order to produce constant price measures. The Short Term Output Indicators Division within ONS is currently reviewing the UK Index of Distribution, looking at the output proxies used and also the related issue of suitable deflators. The conclusions of this review will have an impact on the choice of deflators to use in the IoD for Wales. Until the conclusions of this review are made public the methodology for the IoD for Wales cannot be finalised. In order to obtain

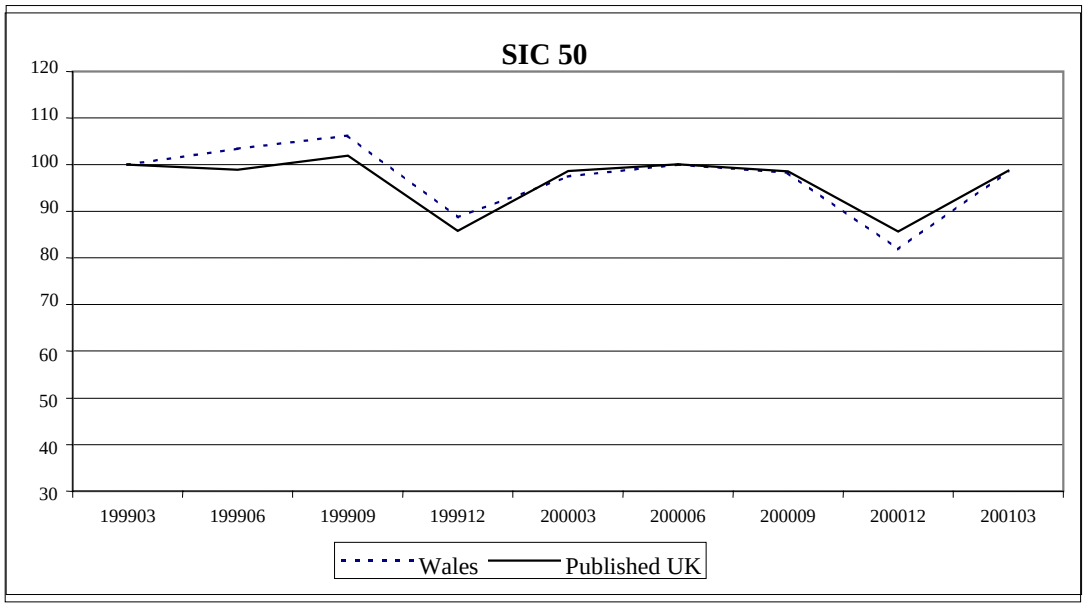
provisional results for this study only published deflators have been used. This means that for SIC 50 the results are not deflated and for SIC 51 aggregated deflators are used for parts of this industry.

Where deflators are used they are produced at the five digit level while the total turnover produced by the post-stratification stage is at the two digit level. Therefore a weighted average deflator has to be calculated for each two digit SIC, using weights obtained from GVA data for Wales from the Annual Business Inquiry (ABI). Once the results have been deflated, they are converted to an index, scaled so that the starting quarter, quarter 1 1999 is equal to 100. The process is summarised in the following flowchart. This was done for each of the three 2-digit SICs that make up the distribution sector and compared to the closest possible value for the UK. The UK figures were also rescaled to make Q1 1999 = 100 for comparison purposes. The indices for Wales were then weighted together using GVA for Wales from the ABI to obtain the final Index of Distribution (IoD).



Results

SIC 50 – Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel – Not Seasonally Adjusted.



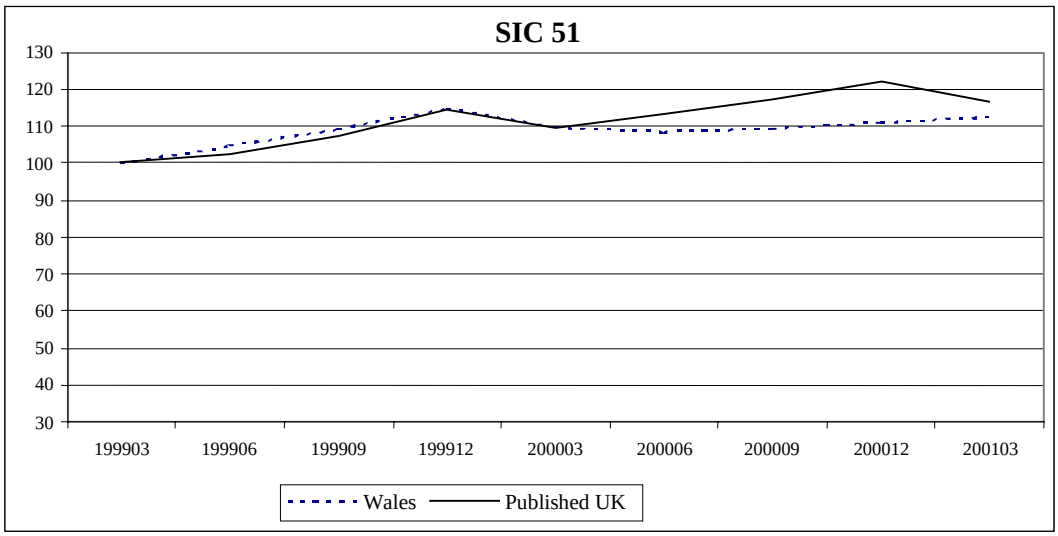
	199903	199906	199909	199912	200003	200006	200009	200012	200103
UK	100	99	102	86	99	100	99	86	99
Wales	100	103	106	89	97	100	98	82	99

The UK and Wales series are not seasonally adjusted. The UK series plotted here is made up of 100% volume measures and is therefore not deflated. The Index for Wales is made up of 100% turnover data and must therefore be deflated. Deflators for this SIC are available from the RPI however the impact of using them is the subject of a study into improving the UK IoD series currently being conducted by the Short Term Output Indicators Division of ONS. Part of this study is considering greater use of turnover data and the associated problem of finding suitable deflators. The recommendations of this report will therefore impact on the choice of deflators that should be used in the Index for Wales. Unfortunately, the results of this study have not yet been released publicly and hence suitable deflators for the Index for Wales cannot be used. Hence the above index for Wales is not deflated. Suitable deflation of the index can be incorporated but it should be noted that these would be UK deflators.

SIC 51 – Wholesale trade and commission trade, except motor vehicles and motorcycles – Not Seasonally Adjusted.

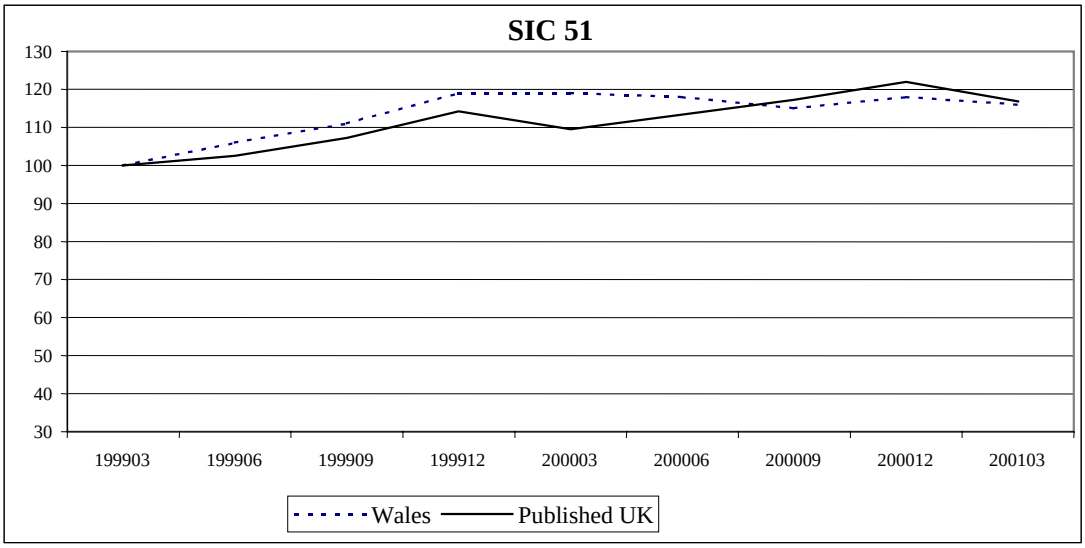
The UK index for this series comprises of part volume data and part turnover. As for SIC 50 this industry is also subject to review by the Short Term Output Indicators Division. The proportion of turnover to volume is 58% deflated turnover (including an index measure from the UK Index of Production) to 42% volume. Although there are some deflators readily available for this series used by the UK index, these can not be used to calculate a composite index for the 2 digit series. This is because one of the deflators is for the oil industry and the volatility of this series is not indicative of the other classifications making up SIC 51. Suitable deflation of the index can be incorporated but it should be note that these would be UK deflators and these deflators will only be available for use after the results of the

investigation into the effect on the UK series is complete and made public. Hence the Welsh series in the following graphs are not deflated.



	199903	199906	199909	199912	200003	200006	200009	200012	200103
UK	100	103	107	114	109	113	117	122	117
Wales	100	105	109	115	110	108	109	111	112

As can be seen, the path of the series for Wales is identical to that of the published UK figures until quarter 2 2000 where they diverge. This SIC is dominated by the oil industry and it drives the movement of this index. One oil company in Wales returns between four and five times the grossed turnover of the next largest contributor in this SIC. The effect of removing this contributor raises the index over the period examined in this study and increases the range of results over the periods include in this research. The removal of this one company gives the chart below.

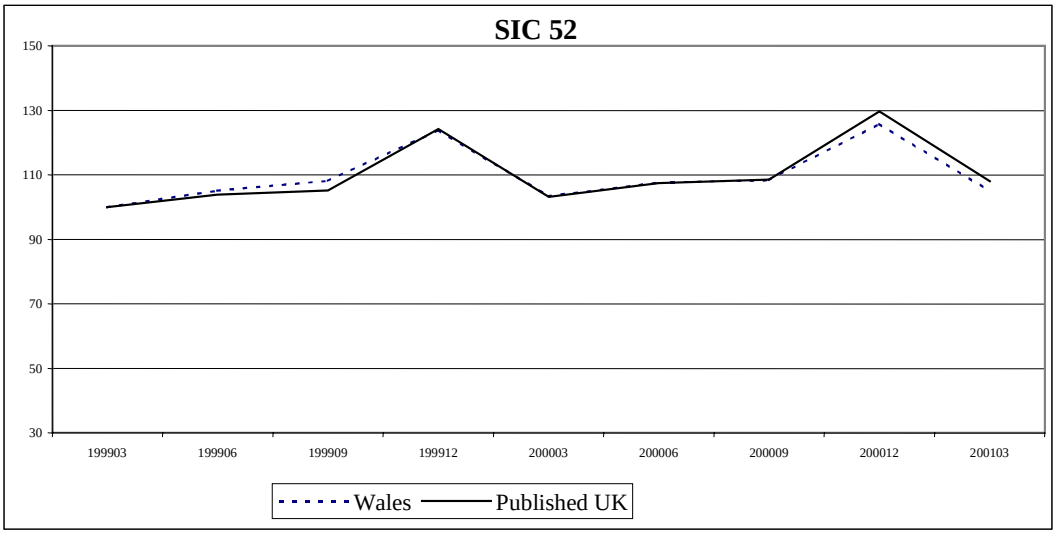


	199903	199906	199909	199912	200003	200006	200009	200012	200103
UK	100	103	107	114	109	113	117	122	117
Wales	100	106	111	119	119	118	115	118	116

The wholesale of solid, liquid and gaseous fuels makes up 3.27% of the GVA for Wales in 1999 used for weights in this feasibility study.

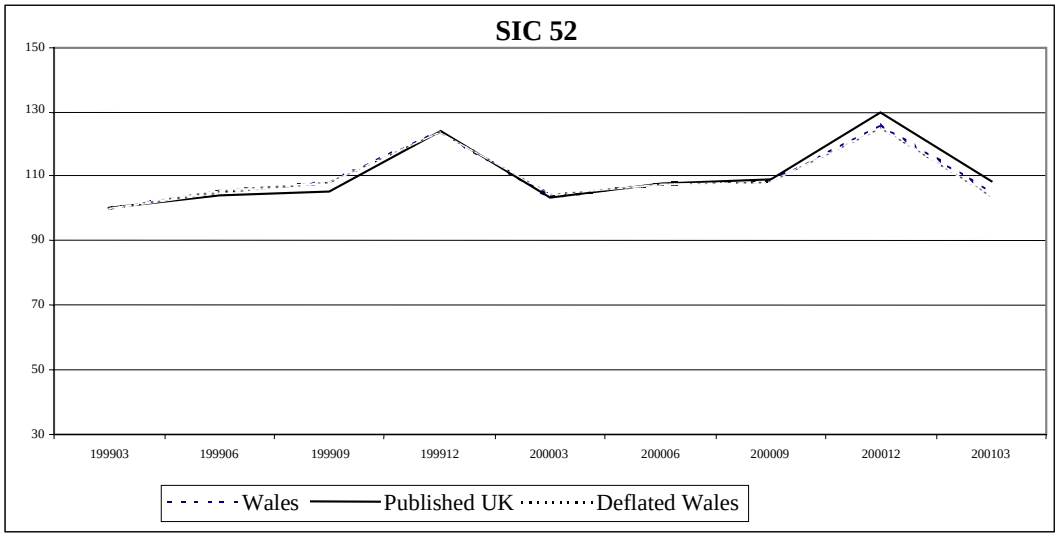
SIC 52 – Retail trade, except of motor vehicles and motor-cycles; repair of personal and household goods – Not Seasonally Adjusted.

This series includes a sample of small contributors as well as the large retail chains.



	199903	199906	199909	199912	200003	200006	200009	200012	200103
UK	100	104	105	124	103	107	109	130	108
Wales	100	105	108	124	103	108	108	126	105

The deflators used in the following chart are from the Retail Sales Inquiry (RSI). A weighted average of the 5-digit SIC deflators supplied was calculated using 5-digit GVA for Wales obtained from the Annual Business Inquiry (ABI)

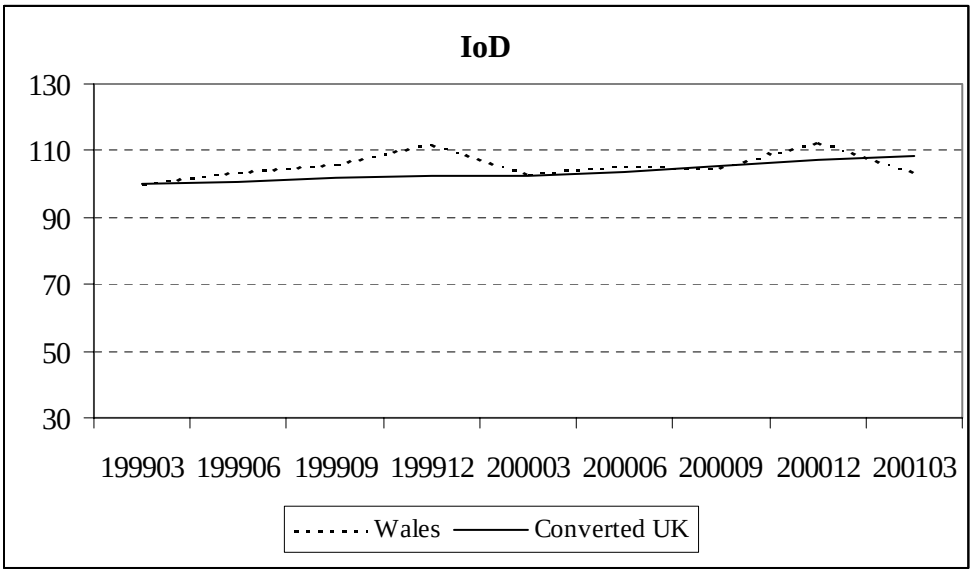


	199903	199906	199909	199912	200003	200006	200009	200012	200103
UK	100	104	105	124	103	107	109	130	108
Wales	100	105	108	124	103	108	108	126	105
Deflated Wales	100	105	108	124	104	108	108	125	104

Whether deflated or not, both the UK and the Welsh series here are very similar in both path and magnitude in SIC 52. The paths of these two graphs is so similar that an investigation in to how much of this series comes from turnover apportioned out from multi-national companies and how much is from local units entirely within Wales should be entered in to.

SIC 50-52

By weighting the results of the investigation into local units in Wales in SICs 50, 51 and 52 together you can get an Index of Distribution for Wales. The weights are again those obtained from the Regional GVA calculated from the ABI. The resulting index is as follows.



ONS does not publish a UK Index of Distribution that is not seasonally adjusted for comparison to the Index for Wales. The UK series in the graph above is one converted from the monthly seasonally adjusted UK IoD. The index plotted is made up of the average of the three months making up the quarter and scaled to make 1999Q1 = 100. The series for Wales does not yet have enough points to be seasonally adjusted at this stage. The characteristics of the series are similar to that of SIC 52 due to the fact that this SIC has the largest weight from the GVA data for Wales. The magnitude of the peaks, though, are not so pronounced due to the inclusion of the different paths of the series for SIC 50 and 51. The IoD for Wales still shows a marked seasonal pattern that would be removed by seasonal adjustment.

The weights from the Welsh regional GVA are as follows: SIC 50 = 18%, SIC 51 = 28%, SIC 52 = 54%

Seasonal adjustment

All series will have to be seasonally adjusted before being used in the IoD for Wales. Unfortunately, using data from 1999 means that the series are too short for statistically valid seasonal adjustment. Four options therefore present themselves:

- Backcast the amount of periods required so that seasonal adjustment can take place. This assumes that the seasonal pattern is predictable. Given the short time span of the available data there is no evidence to backup this assumption

- To use appropriate UK seasonal factors to adjust this series. This assumes that UK seasonal factors are good proxies to seasonal factors for Wales. There is no evidence to support this assumption.

- Wait and leave this series unadjusted until there are enough periods to perform seasonal adjustment. The X11-ARIMA program used by ONS to seasonally adjust all its series needs a series of around 5 years of data to be able to seasonally adjust. This means waiting for another three years. During which time only unadjusted data will be available.

- Extend the completed analysis to look at data prior to 1999 to lengthen the series. This extra analysis will be costly as the data is already archived. This option will require more IS and processing time including data storage. Data on archive goes back to around 1995 but the quality of data of that age can not be assured since the IOD was developing over that period.

Further Analysis

Extending the methodology of the Index of Production and Construction to the distribution sector raises concerns over its applicability to this industry section and the statistical quality of the results. One quality measure which the study showed needed investigation was looking at the relationship between the reporting unit SIC and that of the local unit. This analysis was produced using the results of the ABI 2000. The following table is for all those reporting units classified to SIC 52 that have a registered employment of at least 100. SIC 52 makes up the majority of the distribution sector in Wales.

ABI 2000 universe
Register employment, RUs in division 52 with at least 100 employment

	RU GOR													
	NE	NW	YH	EM	WM	EA	L	SE	SW	W	SC	NI	total	% off diagonal
LU GOR														
NE	9256	12847	6255	1533	643	1502	13449	10391	2970	**131**	12514		71491	87.1
NW	333	81075	11796	2383	1395	3883	47016	37912	8823	**951**	12646		208213	61.1
YH	1154	19862	45779	3009	1938	3785	29683	24887	4368	**351**	8971		143787	68.2
EM	446	11555	7614	18797	2264	2837	25154	27198	6487	**443**	11320		114115	83.5
WM	456	20159	5952	5901	20683	2993	36213	33047	8799	**929**	10878		146010	85.8
EA	174	9076	3266	2938	1867	25497	53700	60006	9086	**502**	8263		174375	85.4
L	941	9648	3705	1933	1054	5888	151030	54094	6021	**809**	13220	127	248470	39.2
SE	482	13423	3510	1940	2799	5442	82917	123024	10462	**1451**	18582		264032	53.4
SW	132	9505	2165	1567	1704	2944	40555	43057	34506	**1775**	13758		151668	77.2
W	**352**	**8709**	**1690**	**902**	**1469**	**1513**	**14801**	**23298**	**6407**	**8292**	**7398**		**74831**	**88.9**
SC	136	14839	2607	941	610	2476	29451	32039	7392	**182**	53101		143774	63.1
NI		314					33	201		**13**		36541	37102	1.5
total	13862	211012	94339	41844	36426	58760	524002	469154	105321	**15829**	170651	36668	1777868	
% off diagonal	33.2	61.6	51.5	55.1	43.2	56.6	71.2	73.8	67.2	**47.6**	68.9	0.3		

NE	North East
NW	North West
YH	Yoiskshire and Humberside
EM	East Midlands
WM	West Midlands
EA	Eastern
L	London
SE	South East
SW	South West
W	Wales
SC	Scotland
NI	Nothern Ireland

The results of this analysis shows that only approximately 10% of employment for Welsh local units come from reporting units within Wales. The fact that we are using this information to apportion out the turnover reported would indicate why there is a close relationship between the UK index for SIC 52 and that for Wales.

We can look further in to the relationship in the retail sector by looking at specific contributors and their turnover per head throughout the country. Previously, the ONS conducted a survey in to town centres where information was obtained from high street contributors and matched to the business register. This information included turnover for each store so we can use this information along with that on the register to compare turnover per head in different regions and see whether the economy in the Welsh shops differs from other areas. Below is a table showing the turnover per head in Wales and three other regions to show the differences that occur throughout Britain. The data included in this analysis was cleaned before use to ensure the best possible comparison. The following table shows the results of the analysis for seven major stores in the high street. The stores were chosen to

give a range of types of stores. The description given comes verbatim from the explanation in the SIC 92 manual of the company's reporting unit classification.

Average Turnover/Head	**1997**				**1998**			
Company Classification	Wales	London	Scotland	Yorkshire/ Humberside	Wales	London	Scotland	Yorkshire/ Humberside
Non-specialist store	75.54	89.98	74.36	70.81	79.31	98.11	79.46	75.75
Food/beverages/tobacco store	82.69	98.59	83.90	88.43	83.19	100.31	87.96	91.10
Electrical household appliance store	183.37	203.48	168.56	137.45	189.28	203.61	136.94	130.65
Clothing store	73.45	66.41	69.62	65.17	72.85	65.47	72.46	61.68
Clothing store	121.46	131.57	146.37	121.78	127.01	136.58	153.10	127.97
Non-specialist store	68.50	72.49	80.21	84.61	71.81	77.89	85.38	88.63
Books, newspapers and stationery store	60.11	93.24	-	67.99	62.98	115.05	-	72.38
Total Turnover/Head								
Company Classification								
Non-specialist store	73.60	83.49	80.23	71.64	74.55	89.67	84.77	75.36
Food/beverages/tobacco store	86.03	100.47	84.11	89.95	86.25	103.08	89.68	94.19
Electrical household appliance store	163.02	205.92	124.43	127.18	165.61	209.98	108.73	121.62
Clothing store	76.20	66.25	70.81	65.85	75.06	64.33	73.00	60.04
Clothing store	134.65	140.87	156.72	138.24	139.71	144.86	163.84	147.54
Non-specialist store	69.50	71.91	80.97	76.15	72.68	76.72	86.37	79.67
Books, newspapers and stationery store	63.21	72.47	-	68.70	66.73	82.65	-	72.29

A turnover per head figure was calculated for every local unit in the survey. The "Average Turnover/Head" figures in the above table shows the average of these calculations within a company. The "Total Turnover/Head" figure is the total turnover for all local units in the company divided by the total employment of those local units.

The results of this analysis shows that there is a difference, in some cases a considerable one, in the economic structure of retailing in Wales to that in other regions of Britain. This result coupled with that showing the relationship between the reporting and local unit locations indicates that the methodology employed in this study is not suited to illustrate the performance of the Welsh retail sector.

Further analysis of the town centres data shows that approximately 90% of the turnover collected in that study came from 20 major contributors. The table below shows the types of contributors that made up this percentage, the proportion of the total turnover collected in the year of analysis and the cumulative proportion along the group of companies.

	1997			**1998**	
Store Type	**% of Total Turnover**	**Cumulative %**	**Store Type**	**% of Total Turnover**	**Cumulative %**
Food/beverages/tobacco store #1	20.51%	20.51%	Food/beverages/tobacco store #1	19.85%	19.85%
Food/beverages/tobacco store #2	17.63%	38.14%	Food/beverages/tobacco store #2	16.46%	36.31%
Food/beverages/tobacco store #3	10.92%	49.07%	Food/beverages/tobacco store #3	12.15%	48.46%
Women's clothing store	6.56%	55.62%	Women's clothing store	6.56%	55.02%
Food/beverages/tobacco store #4	5.64%	61.27%	Food/beverages/tobacco store #4	5.77%	60.79%
Non-specialised store #1	3.87%	65.14%	Non-specialised store #1	3.95%	64.74%
Non-specialised store #2	3.62%	68.75%	Non-specialised store #2	3.65%	68.39%
Hardware store	3.24%	71.99%	Hardware store	3.38%	71.77%
Non-specialised store #3	2.91%	74.90%	Non-specialised store #3	3.13%	74.90%
Food/beverages/tobacco store #5	2.34%	77.24%	Food/beverages/tobacco store #5	2.54%	77.44%
Household appliance store #1	1.82%	79.05%	Household appliance store #1	2.00%	79.45%
Non-specialised store #4	1.48%	80.54%	Food/beverages/tobacco store #6	1.55%	80.99%
Food/beverages/tobacco store #6	1.43%	81.96%	Non-specialised store #4	1.40%	82.39%
Household appliance store #2	1.40%	83.36%	Household appliance store #2	1.31%	83.70%
Furniture store	1.06%	84.42%	Furniture store	1.13%	84.83%
Books, newspapers and stationery store	1.02%	85.44%	Food/beverages/tobacco store #7	1.05%	85.87%
Food/beverages/tobacco store #7	0.84%	86.28%	Books, newspapers and stationery store	1.03%	86.90%
Cosmetic and toiletries store	0.77%	87.06%	Cosmetic and toiletries store	0.83%	87.73%
Non-specialised store #5	0.62%	87.68%	Alcoholic and other beverage store	0.72%	88.45%
Alcoholic and other beverage store	0.76%	88.44%	Non-specialised store #5	0.32%	88.77%

The concerns over SIC 52 were also investigated in SICs 50 and 51. The relationship between the reporting unit SIC and the local unit SIC for SIC 50 and SIC 51 follow:

ABI 2000 universe
Register employment, RUs in division 50 with at least 100 employment

	RU GOR													
	NE	NW	YH	EM	WM	EA	L	SE	SW	W	SC	NI	total	% off diago
LU GOR														
NE	3973	578	442	103	587	378	181	464	506		66		7278	45.4
NW	187	9864	1274	466	2433	825	1290	2651	175	**26**	241		19432	49.2
YH	1248	828	9202	811	1695	334	656	2611	264	**5**	167		17821	48.4
EM	347	633	780	8882	2314	782	712	2345	397	**7**	127		17326	48.7
WM	345	993	581	898	13546	457	1467	3028	306	**49**	173		21843	38.0
EA	131	518	342	616	2671	11729	1223	4285	211	**15**	176		21917	46.5
L	50	683	56	267	1683	1354	11393	4331	56	**29**	215		20117	43.4
SE	473	966	347	393	3566	1401	2258	27685	597	**89**	230		38005	27.2
SW		515	203	327	1858	490	761	2497	8167	**86**	234		15138	46.0
W		**482**	**189**	**119**	**995**	**210**	**320**	**982**	**158**	**2426**	**66**		**5947**	**59.2**
SC	973	1202	292	221	1395	242	884	1113	55		10488		16865	37.8
NI					58			28				2930	3016	2.9
total	7727	17262	13708	13103	32801	18202	21145	52020	10892	**2732**	12183	2930	204705	
% off diagonal	48.6	42.9	32.9	32.2	58.7	35.6	46.1	46.8	25.0	**11.2**	13.9	0.0		

NE	North East
NW	North West
YH	Yoiskshire and Humberside
EM	East Midlands
WM	West Midlands
EA	Eastern
L	London
SE	South East
SW	South West
W	Wales
SC	Scotland
NI	Nothern Ireland

ABI 2000 universe
Register employment, RUs in division 51 with at least 100 employment

LU GOR	RU GOR NE	NW	YH	EM	WM	EA	L	SE	SW	W	SC	NI	total	% off diagonal
NE	4629	1132	609	307	677	317	1371	2866	186	**35**	1126		13255	65.1
NW	333	27121	1402	1183	2898	1070	5112	9525	1369	**185**	1139		51337	47.2
YH	486	2655	16048	1303	2449	763	3347	5888	558	**423**	1144		35064	54.2
EM	344	1335	883	21048	2084	504	3053	4888	1646	**382**	201		36368	42.1
WM	103	2273	895	1780	28738	1157	4578	8330	1293	**196**	1106		50449	43.0
EA	121	1686	771	2114	1629	25002	4295	7596	1433	**61**	1061		45769	45.4
L	367	3312	532	797	1093	1624	48959	11963	2162	**143**	1522		72474	32.4
SE	61	1987	990	1769	2480	1805	6137	80342	3174	**349**	882		99976	19.6
SW	99	1827	417	702	1218	570	2939	10015	19105	**262**	549		37703	49.3
W	**26**	**944**	**214**	**226**	**1118**	**294**	**1256**	**2997**	**697**	**5690**	**287**		**13749**	**58.6**
SC	343	1459	1023	546	1832	910	3993	7046	1189	**373**	14490		33204	56.4
NI		18		34	81			254			133	5875	6395	8.1
total	6912	45749	23784	31809	46297	34016	85040	151710	32812	**8099**	23640	5875	495743	
% off diagonal	33.0	40.7	32.5	33.8	37.9	26.5	42.4	47.0	41.8	**29.7**	38.7	0.0		

NE	North East
NW	North West
YH	Yoiskshire and Humberside
EM	East Midlands
WM	West Midlands
EA	Eastern
L	London
SE	South East
SW	South West
W	Wales
SC	Scotland
NI	Nothern Ireland

The figures in these tables show that there is still concern over how well the methodology used describes the actual performance of these sectors of the economy. However, the degree in which they are effected is less severe than that in retailing.

Conclusions

The study has constructed a methodology and an IS system which has allowed an Index of Distribution to be calculated for Wales. However, ONS has a number of concerns about the results which it does not yet feel fit for purpose.

a) Reporting Unit v Local Unit

The results for retailing have shown that the Wales data follows a close path to the UK one. The analysis in the previous section demonstrates that unlike in the production industries, the Welsh local unit turnover is principally derived from reporting units in other areas, with a strong emphasis on the South of England. The position for divisions 50 and 51 is not as severe but none-the-less is of some concern.

b) Deflation

ONS is developing deflators for Divisions 50 and 51. Once this work is incorporated in the UK's National Accounts (expected summer 2002), it should be adapted to deflate the Welsh turnover data.

c) Level of publication

The index for division 51 is dominated by one company. It is recommended that any future publication should be for distribution as a whole but not at the two digit level.

The way forward

(a) The results of this feasibility study are disappointing to the NAW. However, discussions with the Scottish Executive showed that this is essentially the same approach used in Scotland. This suggests that it may be possible to go down this avenue with some modifications. In particular the Town Centres Project showed that around twenty major retailers dominated. If it were possible to obtain Welsh data from this small number of retailers it is likely that the quality problems would be overcome. A similar approach could be considered in division 50 and 51 if necessary. NAW might find it best to commission ONS to see if it is possible to obtain this information. As in the top-up inquiries, once conducted in the production sector, it would be necessary to seek this on a voluntary basis

(b) Once the UK IOD moves to an entirely deflated turnover basis, the Welsh analysis should be updated.

(c) This project has been managed by EEPD within ONS. However, the emerging issues are ones concerned with the IOD or regional statistics. It is recommended that further liaison for NAW should be either through Ian Cope, Head of SPID in ONS or Jon McGinty, Head of Regional and Local Statistics.

The timing for the next stages will depend on the work to see if Welsh Local Unit data can be obtained, priorities within STOID and RLSD in ONS and the move of the UK IOD to a fully deflated sales basis

APPENDIX

Copy of Welsh IoD PID

(ονσ)

IOD (1)

Index of Distribution Feasibility

Project Initiation Document

Project Name: Index of Distribution for Wales

Project Code: IOD

Contract Number:

Date: 13 November 2001 – Version 1

Author: Sue Hibbitt, Economic Statistics, NAW.

Contents

1. Roles and responsibilities

Project board

1.1 The structure of the project board is as follows:

Andy Milne	NAW	Sponsor and Chair
Sue Hibbitt	NAW	Project Manager (advising on NAW requirements)/Secretary
Kevin Moore	ONS-EEPD	Data manager for ONS
Chris Daffin		

The responsibilities of the Board are as follows:

- to agree the PID and any subsequent changes to it
- to assure the projects technical and business integrity
- to assure that the project meets its objectives
- at completion, to sign off the project
- to oversee the commitment of necessary resources

Chair

1.2 The responsibilities of the Chair are to:

- To oversee IOD board meetings and
- To ensure that the board meets regularly

Project sponsor

1.3 The Project sponsor should:

- be aware of the risks to the project in the context of his corporate management responsibility
- **help overcome barriers to the successful completion of the project which are brought to his attention.**

Project Manager

1.4 The responsibilities of the project manager are:

- To manage the project on a day-to-day basis
- To ensure that the Project Risk Register is maintained
- To maintain a record of changes to the plans and timetable
- To ensure that the Board is regularly informed of progress
- To liaise between Team Members, including organising update meetings to discuss

operational issues, between meetings of the Project Board
- To specify quality standards for Team Members products, if required
- To keep stakeholders abreast of progress, seeking views as appropriate
- To report regularly on progress to the Chair and Project Sponsor
- To review individuals' roles on the Project Board throughout the project
- To maintain a documentation and decision log (through minutes of meetings)

Data Manager

1.5 The responsibilities of the Data Manager are:

- To manage the project on a day-to-day basis
- To deliver their advice/products to agreed standards, on schedule
- To advise the Project Manager of any problems which may affect delivery
- To attend Board meetings, supplying the necessary progress reports as appropriate
- To undertake risk assessments in relation to their own areas

NAW PROJECT MANAGEMENT

1.6 The NAW Project will be managed by Andy Milne, and supported by Sue Hibbitt. They will steer the project from the NAW end, and will quality assure the various outputs from the project, including the PID, design proposals, questionnaire and other outputs. They will keep main users in NAW informed of developments.

2. NAW objectives and requirement for feasibility of a Welsh Index of Distribution

2.1. Objectives

2.1.1 The NAW is looking for good quality publishable data on the movement of the distribution output in Wales.

2.1.2 There are number of drivers to improve the availability of this information:

- The National Assembly's operational plan 2000 referred to the need for demonstrable improvement on the data available for making policy and allocation resources.

- The Assembly's Better Government Action Plans commit the Assembly's Statistical Directorate (SD) to initiate and contribute to projects that will improve the availability of data about Wales by end of 2001.

- A key objective for SD is to agree with ONS a set of specific measures that they will take to improve economic statistics for Wales and agree a basis for sharing costs. The Index of Distribution is one of these measures.

- The National Assembly's Economic Development Committee requires information to inform economic development and labour market policy in Wales and to monitor its impact.

2.2 Meeting the requirement

2.2.1 It is felt that a Welsh Index of Distribution could be used to meet the above policy requirements. The ONS already produces an Index of Distribution for UK. NAW would like to extend this to the production of an Index for Wales.

2.2.2 The UK Index of Distribution is sourced from the monthly and quarterly turnover inquiries and the retail sales inquiry, conducted by ONS under the Statistics of Trade Act.

3. ONS plan for sample selection, analysis and results processing

5.1 The requirement

5.1.1 The ONS will compile time series of distribution figures for Wales, for SIC 50 (motor trades), SIC 51 (wholesale) and SIC 52 (retail). ONS will also compile an overall deflated time series for distribution.

5.1.2 NAW will check results to ensure that all sectors are consistent with other sources.

5.1.3 In subsequent years NAW may wish to commission ONS to compile a quarterly Welsh Index of Distribution.

5.2 Grossing and weighting methods

5.2.1ONS will use the same methodology as that currently used for the Welsh Index of Production and Construction.

5.2.2 Weights for aggregating the series to overall distribution will be obtained from ABI data. Deflators used will be the same as for the UK series.

5.2.3 ONS will provide a report detailing the methodology and weighting and deflators used as part of the results of the feasibility.

5.3 Delivery of Outputs

5.3.1The price currently agreed includes: delivery of the file of deflated sales indices for Distribution and constituent sectors (SICs 50, 51 and 52); a report detailing the methodology and weighting and deflators used; a quality assessment of the Welsh Index of Distribution; an ONS view of whether the regular compilation by ONS of a quarterly Index of Distribution for Wales is feasible; and if so the cost to NAW for doing so.

3.4 Delivery dates

3.4.1 The provisional reports and invoice are required by the beginning of December, with a final report due mid-January 2002.

3.5 Confidentiality and outputs and ownership

5.1.1 The data will be jointly owned by ONS and the NAW, since it comprises both data for which ONS has paid and data for which NAW has paid. [NAW procurement to speak to ONS procurement]

5.1.2Other forms of dissemination that will be generally available will need to be agreed between ONS and NAW at a later date, including an Internet publication, produced jointly by ONS and NAW, of the key results at a Wales level. Only non-disclosive information may be published or released outside the GSS (i.e. Statistical Directorate) without prior negotiation with ONS.

5.1.3Details of the methodology and guidance to users on data quality will be required to support users with their analyses.

4. Communication and consultation plan

4.1 It is envisaged that the IOD project board will meet approximately every 6-8 weeks to discuss progress and any other issues relating to producing results.

4.2 Both ONS and NAW will have their own internal project management arrangements, and issues and action arising from IOD board meetings will be brought to the attention of relevant people.

4.4 ONS and NAW plan to communicate with potential users of IOD data through a variety of means

(i) contact with other known interested parties, through established groups
(ii) through seminars

Comments through these forms of consultation will be fed into discussions of the IOD board.

5. Price and invoicing schedule

5.1 Cost schedule

5.1.1 The costs for the year 2001/2002 have been confirmed as £37K+VAT. Detailed costing is in the price schedule, along with invoicing dates.

Staff costs	£37,000+VAT	Invoice December 2001

5.1.2 The fixed costs of the organisation (overheads) generally relate to the Office infrastructure and are included in the staff costs.

6. Product Timetable and Milestones

6.1 Timetable

5.1.1The timetable of deliverable products, their format and details of outputs required from NAW are below.

5.1.2If a quarterly Index of Distribution for Wales is required for 2002, a decision will be needed by January 2002.[check with ONS]

7. Project risk register

7.1

Risk No:	**Risk**	**Likelihood**	**Impact**	**Implication, and counter-measure**
1	Outputs not delivered			
7	ONS Resources			

Annex A: Decision log

Decision	When taken
Formal commissioning of Welsh IOD Feasibility Study	Letter from Steven Marshall to Ole Black 4/4/01