THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

December 9, 2010

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President:

Expanding exports of services is very important to meeting your goal of doubling overall U.S. exports over the next five years. In 2009, our exports of private services totaled $483 billion, and over the past decade, private services exports have nearly doubled. As the world's economy becomes more knowledge-based, services will become an even more important component of the U.S. export portfolio.

Services jobs account for over 80 percent of U.S. private sector employment; and therefore is a sector we cannot afford to ignore or underestimate in the goal of doubling exports. When you consider the span of this sector – financial services, insurance, express delivery, telecommunication services, logistics, advertising, computer and information services, management consulting and public information services, legal, accounting, medical and other professional services, travel and transportation and others –it emphasizes the important role of services in job creation.

In addition, the services economy is an enabler and multiplier in the agriculture and manufacturing sectors – banking, insurance, accounting, express delivery, logistics, and telecommunications play essential roles in getting any product to consumers.

One barrier faced in efforts to promote and increase service exports is the quality of our export data. Obtaining accurate measures of services poses several unique challenges to our statistical system, and funding of surveys to better capture service exports has fluctuated over time. Information on the U.S. service sector and trade in services lags far behind that for the manufacturing sector. Insufficient data may be causing understatements about the size and extent of services exports.

Good decisions are facilitated by good data. To assist our government in being able to produce better information and results around service exports, below we have two specific recommendations.

Recommendation #1:

Increase or allocate funding to the Bureau of Economic Analysis (BEA) to support an expansion in the size and scope of surveys on services exports. Earlier initiatives resulted in the conversion of annual surveys to quarterly frequency (2004), the expansion of services detail for affiliated parties to match detail already collected for unaffiliated parties (2006), and new surveys related to travel expenditures (2009). With additional resources, BEA would be able to improve the coverage of its surveys by linking with data collected by the Census Bureau on the exports of U.S. establishments in selected services industries. In addition, BEA would be able to expand coverage in its quarterly surveys by reducing reporting thresholds and would be able to explore collecting additional detail on selected services, such as environmental services, computer and telecommunications services, and manufacturing services

Recommendation #2:
Improve data sharing among key statistical agencies, as the Administration has proposed, by amending 26 USC 6103(j). Current tax law limits access to Federal tax return information (FTI) for governmental statistical use. The Bureau of the Census (Census) receives FTI for all businesses, and the Bureau of Economic Analysis (BEA), receives FTI for corporate businesses. The Bureau of Labor Statistics (BLS) is currently not authorized to receive any FTI. Significantly, it is not the tax information per se from the FTI that is sought, but rather access to the business identifiers about the relevant organizations that is critical to produce accurate measurements.

The BEA's current restriction to corporate FTI impedes the measurement of income and international transactions in the National Accounts because of the growth of non-corporate businesses especially in the service sector. The accuracy and consistency of income data are important to the formulation of fiscal policies. Allowing BEA, Census, and BLS to synchronize their business lists would significantly improve the consistency and quality of sensitive economic statistics, including productivity, payroll employment, and average hourly earnings. It is roughly estimated that $20-40 billion of service exports could be overlooked due to the inability to identify gaps in the business lists.

The service sector generates four-fifths of our country's economic output, and employs over 80% of the American private sector workforce. In the years ahead, our services trade will grow substantially, and sufficient resources must be made available to accurately measure this crucial part of our economy.[1]

Sincerely,

Jim McNerney

[1] Please note that this letter was prepared by the private-sector members of the PEC.