



PPI for Software Development in Australia

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Outline

- Industry Output
- Weighting Source
- Index Methodology
- Pricing to Constant Quality
- Challenges

Industry Output

- Custom made
- Pre-packaged
- Own account
 - focus is on own account Software Development

Weights

- Input Output tables (1996-97)
- Service Industry Survey for Computing Services (1998-99)

Index methodology

- Specification pricing
 - Misses productivity gains
- Function point analysis

Unit Price \cong Unit Cost

$$\begin{aligned} &= \frac{\text{Total Cost}}{\text{Total Function Points}} \\ &= \frac{\text{Total Labour}}{\text{Total Function Points}} \times \frac{\text{Total Cost}}{\text{Total Labour}} \end{aligned}$$

Pricing to constant quality

- Assumptions underlying function point approach
 - Unit cost & Unit price
 - Labour definitions
 - Function points

Challenges

- Extending beyond own account software
- Lags
- Labour Cost vs. Wage Cost
- Volatility