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Sector Paper on Postal activities under Universal Service Obligation (USO)

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- I. Introduction;**
- II. Classification;**
- III. Turnover statistics;**
- IV. Price statistics;**
- V. Summary.**



Sector Paper on Courier and messenger activities

(Gac, Holocsy, 2010)

Mini presentations, 2013

Turnover

- ✓ Eva-Marie Gustafsson, Sweden;
- ✓ Ildikó Hamvainé Holocsy, Hungary;
- ✓ Roberto Iannaconne, Italy.
- ✓ **SPPI**
- ✓ Eveli Sokman, Estonia;
- ✓ Christian Puchter, Austria;
- ✓ Ildikó Hamvainé Holocsy, Hungary.

Discussant remarks

- ✓ Derek Bird, United Kingdom

Session notes

- ✓ Christian Puchter, Austria

Postal services **USO** are traditionally

- ✓ state-owned,
- ✓ vertically integrated and
- ✓ public regulated.

Liberalization of the postal industry;

- ✓ ~95% of letter mail was **fully opened** to competition in **2011**;
- ✓ Many European countries have liberalised the respective postal markets since **2013**.

Description of the industry

Postal activities under USO

- ✓ The market is usually **dominated by a single producer.**
- ✓ Use of the **universal service infrastructure**, including retail locations, sorting and processing facilities, and carrier routes to pickup and deliver the mail.
- ✓ Also included are **other activities** necessary **to support the USO.**
- ✓ **Evolving sector**
 - Technological (sorting, logistics etc.);
 - Cultural (switch from letters to parcels with email and e-commerce);
 - New products (classification issues).



Description of the industry

The **USO** is determined by the European Commission as the obligation for postal operators **to ensure to every citizen** at least one delivery and collection of mail five days a week, at affordable prices throughout the territory.



Postal activities under USO

- ✓ Operations are related to **printed papers** (newspaper, periodicals, advertising items, etc.), the **collection** of documents, letters, small packets and **delivery** to the required destination, the **counter services** and **other postal services** (e.g. mailbox rental services).
- ✓ Services are provided for **business clients** as well as for **households**.

ISIC 4.0 / NACE Rev.2

Activities related to the Postal services (USO) are concentrated in **section “H”** Transportation and storage services” under **division “53”**, which includes two classes.

Industry Classification

- ✓ **53** *Postal and courier activities*
- ✓ **53.10** *Postal activities under universal service obligation;*
- ✓ **53.20** *Other postal and courier activities.*



Description of the service

Class 5310 includes:

- ✓ **Pickup, sorting, transport and delivery** (domestic or international) **of letter-post** and (mail-type) **parcels** and **packages** by postal services operating under an **USO**. One or more modes of transport may be involved and the activity may be carried out with either self-owned (private) transport or via public transport;
- ✓ **Collection** of letter-mail and parcels from **public letter-boxes** or from **post offices**.



Class 5320 includes:

- ✓ **- Pickup, sorting, - transport and - delivery** (domestic or international) of **letter-post** and (mail-type) **parcels** and **packages** by firms operating **outside the scope of a USO. One or more modes of transport** may be involved and the activity may be carried out with either **self-owned** (private) transport **or via public transport.**
- ✓ **This class also includes:**
 - Home delivery** services

Differences between postal services (USO)

- ✓ *and courier activities*
- ✓ On the one hand, **national post services** have very **specific characteristics** (USO) determined by regulation.
- ✓ On the other hand, **couriers** can offer **'tailor-made' services** according to the market conditions, signing contracts with their clients. Companies are offering logistic, storage and freight transport services to their customers .

Differences

Industry classification

	ANZSIC	ISIC 4.0	NACE Rev2	NAICS 2007
general	711: Postal and Courier Services	Division: 53 - Postal and courier activities	53 Postal and courier activities	492 Couriers and Messengers
detail:	<p>7111 Postal Services</p> <p>7112 Courier Services</p>	<p>Class 5310 Postal activities</p> <p>Class: 5320 - Courier activities</p>	<p>53.10 Postal activities under universal service obligation</p> <p>53.20 Other postal and courier activities</p>	<p>492110 Couriers and Express Delivery Services</p> <p>492210 Local Messengers and Local Delivery</p>

CPA'08

- **53.10.11** *Postal services under USO related to newspapers and periodicals*
- **53.10.12** *Postal services under USO related to letters*
- **53.10.13** *Postal services under USO related to parcels*
- **53.10.14** *Post office counter services*
- **53.10.19** *Other postal services under*

Differences

Product classification

	ANZSPC	CPC ver 2	CPA 2008	NAPCS ver 0.1
general		Division: 68 - Postal and courier services	53 Postal and courier services	
detail:	<p>6801 Postal services</p> <p>6802 courier services</p> <p>This item does not include: - messenger delivery services</p>	<ul style="list-style-type: none"> • 6811 - Postal services • 6812 - Courier services • 6813 - Local delivery services 	<p>53.10 Postal services under universal service obligation</p> <p>53.20.11 Multi-modal courier services</p> <p>53.20.12 Food home delivery services</p> <p>53.20.19 Other postal and courier services n.e.c.</p>	

- ✓ **NACE Rev 2** (the statistical classification of economic activities in the European Communities)
- ✓ **CPA'08** (the European Classification of Products by Activity).

CPA'08 is fully harmonized with NACE Rev.2.

Namely, from the 6 digits (XXXX.YY) the first four are the same as those for the NACE Rev. 2.

5310.XX

- ✓ Industry is **dominated by one enterprise**; **Confidentiality rules**, the statistics, including Turnover data for postal services (USO) are not published;
- ✓ Data are available at the division level **(53) Postal and courier activities**;
- ✓ Effects of globalization.

International agreements between National Post Offices (USO);

Courier companies are establishing **alliances** with companies abroad, in order to improve the international delivery of letters and parcels.

The Turnover structure

- ✓ **Main activity + secondary activities** – enterprises with more than 19 employees;
- ✓ **B-B** (business to business: total industrial turnover except households) + **B-C** (business to consumer) – enterprises with more than 19 employees;
- ✓ **data from survey + administrative data** (e.g. for enterprises with less than 5 employees) + **imputation of data** (concerning missing data);
- ✓ **Domestic + non-domestic/export** (by residency) – enterprises performing dual accounting.



Turnover

Record keeping practice

- ✓ Statistical **survey**; the supply of data is **compulsory**;
- ✓ **Combination of survey data** and **administrative data**;
- ✓ Turnover data are collected **annually, quarterly** or on a **monthly** basis;
- ✓ Questionnaire by **electronic data collection**;
- ✓ Source of information: **Business Register**;
- ✓ Reporting units: **enterprises**;
- ✓ Enterprises having **50 and more persons** employed are observed by a **full scope survey**;
- ✓ Enterprises with **5-49 persons** employed are observed by a **sample survey** (random stratified sampling);
- ✓ The data for enterprises having **less than 5 persons** employed are **estimated** from the tax data of the previous two years.

Turnover

Quality adjustment

Treatment of the missing data:

- ✓ data from **other statistics**;
- ✓ **administrative data** sources;
- ✓ **averages of the similar categories** or
- ✓ **higher level aggregations.**

Data validation process, checking

- ✓ **completeness** of quantity and value data;
- ✓ **consistency** between related statistics ;
- ✓ **Cooperation with data suppliers.**

- ✓ **Industry-based vs. product-based SPPI** (deflator) data;
- ✓ **Business to business vs. business to all SPPI**;
- ✓ **Split of the total SPPI**: domestic + export.

European STS Regulation (1158/2005/EK)

Variable: 310 **Output prices for services**

show the price development for services delivered to customers that are enterprises or persons representing enterprises.

Domestic and non-domestic services are monitored;
(according to the destination of the product).

What are the main challenges?

- ✓ **Inconsistency** of turnover data regarding different sources:
- ✓ SBS, foreign trade statistics , TAX data
- ✓ **Different interpretation** of the concept of **export / international trade**
- ✓ (Statistical Office, Tax Office, data suppliers).



SPPI

Record keeping practice

- Generally, in European countries
- ✓ Supply of data is **compulsory**;
 - ✓ Price data are collected **monthly/quarterly** ;
 - ✓ Questionnaire by **electronic data collection**;
 - ✓ Source of information: **Business Register**;
 - ✓ Reporting units: enterprises;
 - ✓ SPPI observation system: **industry-specified**;
 - ✓ Primarily **product-based approach**;
 - ✓ Primarily **B-B approach (B-All also exist)**;
 - ✓ Producing both **B-B** and **B-C** indices.

The recommended pricing methods for Postal Services (USO)

- ✓ Contract pricing;
- ✓ Unit value method;
- ✓ Direct use of prices of repeated services;
- ✓ CPI's as proxies for SPPIs.
 - Postal **contract prices** with big and representative customers: prices for some types of letters or types of parcels from A to B, within a period set (day +1, day +2);
 - **Unit values/ average prices** (per kg, per letter, per parcel in any weight given, 5-10 kg) within a period set, from a point A to a part of the world B (European countries, US, Asia, North Africa...).

SPPI

Use CPIs as proxies

Use of CPI / HICP data (SPPI Guide, draft)

- ✓ can be considered as **special case** of „*direct use of prices of repeated services*”;
- ✓ **needs to adjust** CPI / HICP data (valuated at purchasers’ prices, to basic prices);
- ✓ **should assume that prices for businesses and households move in a similar trend** with a similar composition of consumption.

Price determining factors

- ✓ **transaction partners;**
- ✓ **geography** (i.e. origin and destination of service);
time of the delivery (for s: **overnight or next day and other/ (two days or more)**; for local messengers: **one hour or less and three to four hours**);
- ✓ **type of the item(s)** being delivered;
- ✓ the **size of the delivery** (in number, weight, and/or volume);
- ✓ **type of service** (ground, air, etc.).
- ✓ **additional criteria** (type of packaging; insurance or registered/special delivery).

Price = Base rate + surcharges (fuel+ other)

Treatment of the missing data:

- ✓ Postal and courier services are defined by **relative stable characteristics**.
- ✓ The main method used is **overlapping** (new and old services are generally sold simultaneously).
- ✓ **Averages** of the similar categories or higher level aggregations are also applied.

Data validation process, checking

- ✓ **consistency** between related statistics ;
- ✓ **Cooperation with data suppliers.**

Consistency / Inconsistency

between turnover and price data

- ✓ **Different deadlines** for dissemination of results (Turnover, SPPI, GDP and future ISP);
- ✓ **Limited quality of the structure of the total turnover/output** (by products: main activity, secondary activities; employment size: sample, other data sources; type of client: B-B, B-C, B-All; by residency: domestic, non-domestic client);
- ✓ **Valuation of the domestic vs. non-domestic market.**

The main characteristics of the postal and courier industry

- ✓ High level of **concentration**;
- ✓ **Dominance** by usually just **one enterprise (National Post)**;
- ✓ Industry is **highly regulated**;
- ✓ **Liberalization**, the European postal market of letters mail was opened to competition in 2011;
- ✓ **Evolving sector** (technological, cultural, new products);
- ✓ **B-B (B-C)** and/or **B-All SPPIs** are produced (identification of B-B and B-C markets often difficult);
- ✓ **Mainly product-based “53”** and **“5320”** indices are published ;
- ✓ **5310** for postal services (USO) is not available (confidentially rules).
- ✓ **Industry-based SPPIs** are under development;
- ✓ Well defined with no real classification issues (care needed to separate postal from other activities).

Thank you for attention!

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