

REPORT ON INVESTIGATION AND
SECURITY SERVICES

19th MEETING OF THE VOORBURG
GROUP.

Ottawa, Canada

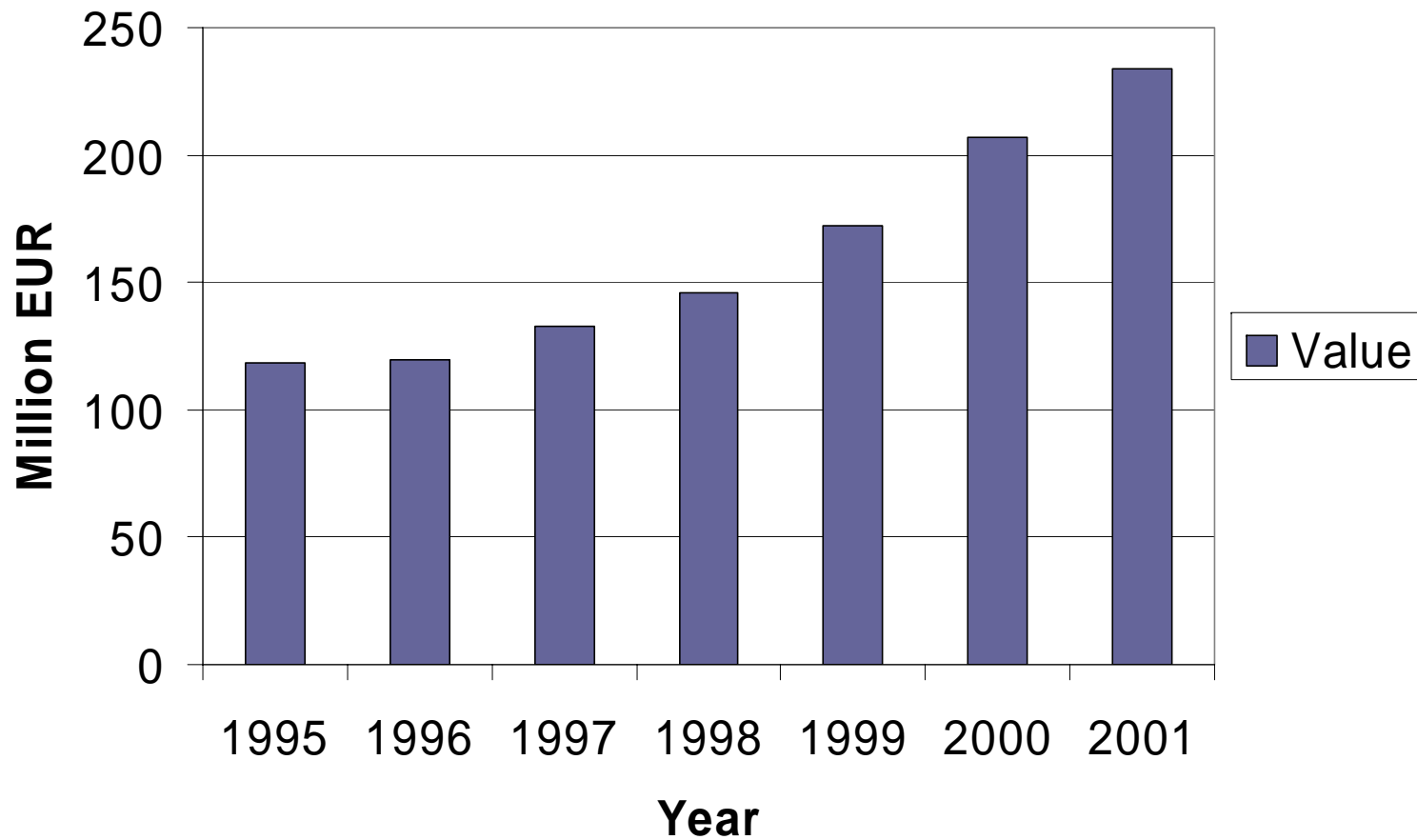
September / October 2004



Description of investigation and security service activities in Finland

- The industry of investigation and security service activities accounts for approximately 0.3 per cent of the total turnover of service industries in Finland
- Share of the turnover of investigation is very small. At a moment the experimental index includes only security service activities
- This industry comprise from few large and medium-size companies, and a host of small operators. The large companies generate a considerable proportion of the total turnover of the industry. These companies are also market leaders in many other countries

- Over the past decade, this industry has been growing strongly, and still continues to do so



The classification and definitions

- Companies offering investigation and security services usually concentrate on their areas of core competence, this makes their classification easier
- ISIC and NACE classify enterprises supplying investigation and security services as follows:

	Revision	Class	Label
ISIC	3.1	7492	Investigation and security activities
NACE	1.1	74.60	Investigation and security activities

- In Finland, security service activities have been divided into five service types, on four of which price data are collected. The service types are:
 - District guarding services
 - Local guarding services
 - Store guarding services
 - Emergency call centre services
 - Money transport services

The sample

- Business Register is used as a sampling frame
- Enterprises stratified into two strata depending on turnover
- In pilot stage the sample was realised only for the strata consisting large enterprises
- Sample will be supplemented later on with smaller enterprises
- Sample size was 3 enterprises and 160 price quotations
- The coverage rate in terms of turnover is approximately 42 %

Selection of contracts

- Contracts were selected in co-operation with enterprises
- The contracts were divided into groups based on:
 - Service categories
 - Two geographical areas
 - Two price categories that reflect the actual volume of the service
- The Enterprises selected representative contracts from each group

Weights

- All the contracts, inside of each enterprise and service type, have equal weights
- The service type weights, inside of each enterprise, are formed based on turnover shares of each service type. This information is asked yearly from enterprises
- The enterprise weights are calculated from Business Register turnover data. These weights can be updated yearly if necessary

Pricing methods

- The list prices are not easily available in Finland. The common practise is that enterprises encourage the potential customer to take the first contact by e-mail or phone.
- Based on negotiations with enterprises it was decided that contract prices are collected, from the companies. These prices show directly the real prices paid for the services and their periodic monitoring is also usually easy due to the length of the contracts

The advantages and disadvantages of contract pricing

- When the contracts are well selected, the contract pricing gives an accurate picture of real transactions price movements. Under certain assumptions it is almost as effective as model pricing
- Contract pricing requires considerable initial effort from the data supplier, in order to make sure that representative contracts become selected in a statistically correct and efficient manner
- It has to be ensured that all the price determining characters are specified in the sample contracts

- The price change of new contracts may be different from that of old contracts
- Quality changes caused by dissimilarities in renewed contract's contents might also cause some potential problems
- Substituting contracts may be difficult to find, which is why changes in quality are not easy to follow

Index calculation

- The price index for security services is Laspeyres type of chain index.
- Index is calculated in four stages

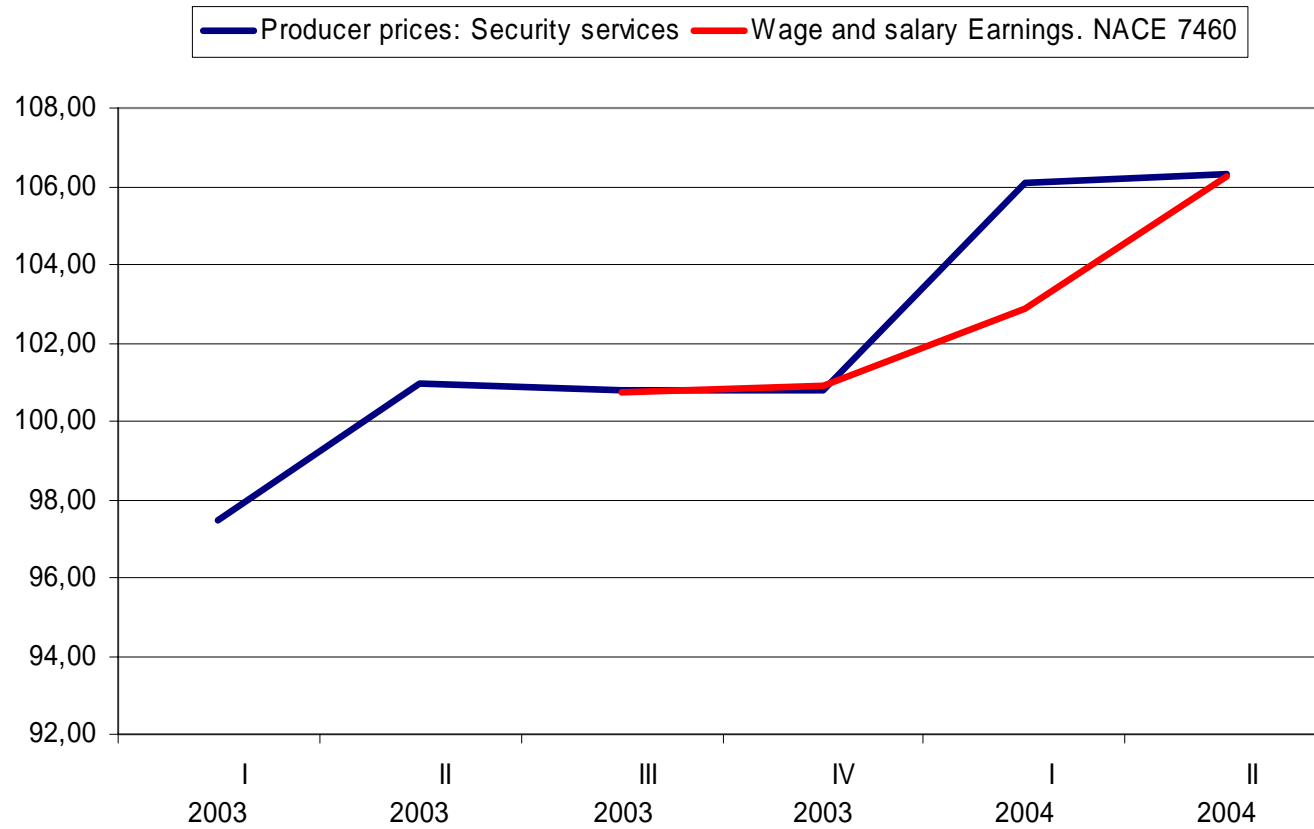
Quality changes

- In the investigation and security service industry, changes in quality mainly arise from variations in the compositions of the agreed services
- Ideal alternative would be to substitute a changed contract with a new one with identical contents
- It may be possible to quantify a change in the quality of a service. In this case, use of the changed contract in the index could be continued, but the quality adjustment has to be made
- In practice the overlapping methods are also used

Data collection

- Price collection was started during the summer 2003
- The questionnaires are sent quarterly to the enterprises by e-mail
- The contract prices with identification number and quality change comment are received in excel-format

Results



Pricing methods in other countries

Country	Pricing Method	Frequency
Czech Republic	Contract pricing	Monthly
Japan	Contract pricing	Monthly
Slovakia	?	Monthly
Great Britain	Contract and list prices	Quarterly
Portugal	?	Quarterly
France	Contract pricing	Quarterly
New Zealand	Contract pricing	Quarterly
Mexico	Mark-up pricing	Monthly
Australia	Contract pricing	Quarterly

Future development prospects

- Quality of the index will be further improved by extending the coverage also to the small enterprise strata.
- A Lot of work has been done in numerous other service sectors and it will continue