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A PRICE INDEX FOR SECURITY SERVICES IN FRANCE
A TEST

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INSEE and one of the professional organizations representing the security industry decided in November of 1991 to proceed with a test price index for security services. There was agreement on a classification to be used for the test and six enterprises agreed to participate.

The test was to be conducted by the staff of the producer prices index. This constituted the first attempt by this Division to survey a service industry. Thus, it was to be a test of the transfer of interviewing techniques used for producer prices, as well as, a test of the enterprises ability to provide the appropriate data.

It was hoped that prelimiary results would be available by the spring of 1992 and that at that time we would proceed to examine questions of sample maintenance. These were to include the possible need to stratify the sample between new and continuing clients. Unfortunately, a major reorganization of the professional associations representing this industry occurred in early 1992. This disrupted the test and forced us to take time to reestablish support amoung the executives and staff of the new associations. While the reorganization of the professional associations has been disruptive in the short run, it has also simplified our contacts with this industry which should aid us as we move from a test to a full survey.

The Security Industry

The annual survey of economic activity for the services sector records about 10 billion francs of gross revenues for Security Services in 1990. This survey has three categories of products for security services with revenues distributed as follows : surveillance and guarding (83 %), transportation of money and valuables (11%) and telesurveillance (6 %). The latter two products correspond to columns 5 and 7 of the classification table used for the prices survey (see annex 1). There is no further break down of the revenues for the larger group, surveillance and guarding, thus revenue data for weighting and sample selection had to be aquired from the firms particpating in the test.

The service of transporting money and valuables is quite highly concentrated in a few firms while the other security services are just the opposite. Nine firms account for 84 % of the total revenues for the transportation of valuables, by contrast, for surveillance and guarding services, the largest firm has less than 5 % of the market and there are only 16 firms with more than 1 % of the market. In telesurveillance, the largest firm has less than 4 % of the market and there are only 22 firms with more than 1 % of the market.

The professional association we originately worked with has a membership concentrated in surveillance and guarding services. This is reflected in the activities at our test firms. All six provided services of surveillance and guarding while one firm has its principal activity as transportation of valuables. This enterprise has initially withheld the prices for its transportation services until the sample can be expanded to include other firms in this field.

As a result of our first meeting with the new professional association, one additional firm has been added to those providing surveillance and guarding services and we are in the process of adding 3 firms whose principal activity is the transportation of valuables. Telesurveillance services are provided by some firms in our test but not as a principal activity. Thus the test results to date are concentrated in the services of surveillance and guarding.

The seven enterprises currently in the test have their activity highly concentrated in service types 1 and 2, static guarding and active surveillance, with 7%

of their revenues from these sources (1). Concentration by client type is not as strong but still evident as 5 of the 9 client types represent over 90 % of revenues (see table 2).

The test

The seven enterprises were each visited by a surveyer from the producer prices division. His principal task was to establish a sample selection of actual contracts which were representative of the services typically provided by the firm. The interviews went generally smoothly with good cooperation from the respondants and no more difficulties than those that usually arise from the introduction of a new industry into the producer prices survey.

The visits resulted in a sample of 50 contracts and for some contracts different prices were provided for subcomponents of the contract. The sample also included 5 list prices not associated with a particular contract. This results in a total of 80 prices. Of these 80 prices, 56 are hourly rates, 22 are monthly charges and 2 are for specific occurances.

The distribution of the price observations by type of service and type of client in shown in tables 1 and 2. The distribution of observations by type of services corresponds reasonably well to the distribution of revenues. Examining the shares by client type, there are some notable differences. The share of observations for specialized markets is 33 % while this group represents only 23 % of revenues. The offsetting difference in the distributions comes from factories/industrial locations, which has a share of observation 9 % below its share of revenues. The reason for this difference is that the large contracts for specialized markets tend to be ones which have subcomponent prices.

Results to date

The interviews to obtain the revenues data and select sample contracts have gone quite smoothly. There has been good cooperation from the firms for this initial stage but we have had some difficulties in getting price data from some firms. To date, it would appear that these response delays are caused by staff shortages rather than any lack of cooperation from the firms and we are hopeful that they can be overcome soon.

An important stratification of the sample which has arisen from our initial visits is between security services during the day and at night. Some contracts are split on this bases but many in France are for a 24 hour period. There are of course also contracts which cover only the day or the night. The day-night distinction is likely to become more important in France as legislation is about to come into effect requiring firms to pay higher wages for nighttime work.

The test firms also emphasised that often the nature of the service changes between day and night. Most typically, the daytime will require static guarding, likely at entrances where as nightime security is more usually active surveillance.

It is also necessary to be clear as to the treatment of weekends and holidays. We have found that some prices explicitly exclude these periods where as others clearly include them.

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1 Excludes all revenues from transportation of money and valuables

It appears to be the general practise that any increments to an existing contract are handled as separate items for billing purposes. This is very helpful for tracking the price of a consistant service as the price for the original base contract continues to be available for the life of the contract. This does, however, raise the question of the consistancy of price change between the base contract and additional work. If the rate of price change is different then the additional charges may need to be sampled separately.

The existance of these separate charges may be very useful in estmating the back price for renegotiated contracts which now include all the new work in the base price.

The price series received to date indicate that most contracts have prices that change once a year. There were 13 % of the prices which showed no change over 6 quarters, 59 % had one price change and 26 % had two price changes. There was only one price that changed more than twice during this period.

While no indexes have been calculated as yet, the distribution of annual price increases seems to be divided into two groups. There are a group of prices which have increases between 2 % and 6 % and a group in the 10 -15 % range. There was one price decline of 2 %.

The rate of price change for our sample is more correlated with supplier than client type or type of services. Three firms had all their price changes in the lower range where as two firms had most price changes in the apper range. The sixth firm has half its observed increases in each range, clearly split by client type.

Classification notes

It has been proposed that the client group warehouse/construction site be split in two as there is considerable difference in the types of contracts for there two groups of clients. It is also more difficult to find contracts for construction sites that are likely to last for extended periods, as by definition, they tend to be short in length. Thus most of our sample is for warehouses.

The problem of short contracts is even more evident for fairs/exhibitions/sporting events. Our sample has no observations for these contracts and it would seem unlikely that any actual contracts lasting for extended periods will be found. From the limited revenue data available, it appears that this client type does not represent a large part of the market and thus there are no plans to actively pursue contracts for this group.

There are two parts of the classification which may require special comment. There are store surveillance and highrise buildings. These two cases in reality collapse to single points on the table in annexe 1.

The client type highrise is only relevant for the services fire and technical security as specially trained agents must be used for these contracts. For store surveillance, this only corresponds to shopping centres and would seem to duplicate inspection rounds crossed with shopping centres. The profession has strongly supported keeping this as a separate category due to the special nature of these contracts which arises from the difficulty of assessing results in such publicly accessable environments.

Conclusion and future work

The primary conclusion to date comes from the interviewer who has visited the 10 firms in our test. He is quite confident that the price sample for this industry is as representative as those generally obtained for a goods producing industry.

The expansion of the sample to include the three addition firms for the transportation of valuables should be completed in September. Preliminary results will be presented to the professional association in late September. With the support of the professional association, it is hoped to expand the sample to fully cover this industry. This expansion could occur in 1993 as interviewers from the Producer Price Division became available.

In the mean time, work will proceed on questions of sample maintenance, particularly quality change when contracts are renegotiated and the need to specifically sample some new contracts in addition to ongoing and renegotiated contracts.

TABLE 1

REVENUE AND SAMPLE SHARES BY TYPE OF SERVICE

	REVENUE %	OBSERVATIONS %
1. STATIC GUARDING	32	38
2. ACTIVE SURVEILLANCE	47	42
3. FIRE AND TECHNICAL SECURITY	9	9
4. INSPECTION ROUNDS	1	1
5. SUBSCRIPTIONS AND TELESURVEILLANCE	9	9
6. STORE SURVEILLANCE (INSPECTION)	2	1

TABLE 2

REVENUE AND SAMPLE SHARES BY TYPE OF CLIENT

	REVENUE %	OBSERVATIONS %
A. WAREHOUSES/CONSTRUCTION SITES	9	9
B. BANKS/JEWELERS	0	2
C. FACTORIES/INDUSTRIAL LOCATIONS	28	19
D. PARKING	1	1
E. SHOPPING CENTRES	11	10
F. OFFICES/HEADQUARTERS	20	17
G. SPECIAL MARKETS (National Defence, airports, railways, atomic installations, ...)	23	33
H. HIGH RISE BUILDINGS	3	2
I. APARTMENTS/COMMUNITY INSTALLATIONS	3	6
J. FAIRS/EXHIBITIONS/SPORTING EVENTS	1	-

ANNEXE

DISTRIBUTION OF TOTAL REVENUES

Total revenues ex. tax

		STATIC GUARDING	ACTIVE SURVEIL-LANCE	FIRE & TECHNICAL SECURITY	INSPEC-TION ROUNDS	SUBSCRIP-TIONS TELESUR-VEILLANCE	STORE SURVEIL-LANCE (INSPEC-TION)	TRANSPORT OF MONEY & VALU-ABLES
		1	2	3	4	5	6	7
.AREHOUSES/CONS-STRUCTION SITES	A							
BANKS/JEWELERS	B							
FACTORIES/INDUS-TRIAL LOCATIONS	C							
PARKING	D							
SHOPPING CENTRES	E							
OFFICES/HEADQUARTERS	F							
SPECIAL MARKETS (National Defence, airports, railways, atomic instal-lations, ...)	G							
.IGHRISE BUILDINGS	H							
APPARTEMENTS/COMMU-NITY INSTALLATIONS	I							
FAIRS/EXHIBITIONS/SPOR-TING EVENTS	J							