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**SESSION 2: Mini presentation on producer price indices**

# The development of a PPI for Post and Courier Services in Austria

Sandra Beer
Josef Auer
Statistics Austria

# PPI for Post and Courier Services in Austria

## 1 INTRODUCTION

The development programme of PPI for Services in Austria started in October 2002 and is carried out as a Pilot Project granted by Eurostat. The programme which is planned to take place in several phases in principle covers the whole range of business service activities according to NACE categories 50 to 74. Due to priority-setting agreed in the Eurostat-OECD task force Statistics Austria has so far started with preparatory work on advertising services, legal services as well as post and courier services and scheduled air transport services.

This paper outlines the development of a corporate service price index for post and courier activities in Austria. It summarizes the results of the investigations and points to the difficulties encountered. The development work in this area started in May 2003 which is the reason why this presentation does not yet include index series. Due to the pilot character the focus is on post and courier services other than national post activities. The needs of National Accounts concerning price and volume measurement as well as price statistical criteria had to be taken into account. The paper first concentrates on the analyses of the size and structure of post and courier activities in Austria and then considers sampling strategies and possibilities of identification of services for price collection.

## 2 SIZE AND STRUCTURE OF THE POST AND TELECOMMUNICATION SERVICES IN AUSTRIA

According to ÖNACE 2003, the Austrian Standard Industrial Classification (which corresponds to NACE Rev. 1.1), Division 64 consists of Post as well as Telecommunication Services. Post and Courier Services (ÖNACE Group 64.1) is built up of National Post Activities (ÖNACE Class 64.11) and Courier Services other than national post activities (ÖNACE Class 64.12). Within Division 64 only about one quarter of production value (see Table 1) was contributed in 2001 by Postal and Courier Services of which the by far largest part (about 95 %) comes from Post Services.

Tab.1: Value of production 2001

| ÖNACE category | Total production value at current prices in bllion € | Share on the production value |
|---|---|---|
| **64 Post and Telecommunications** | **8,99** | **100%** |
| **64.1 Post and courier activities** | | **26 %** |
| 64.11 National post activities | | 25 % |
| 64.12 Courier services other than national post activities | | 1 % |
| **64.2 Telecommunication** | | **74 %** |
| 64.20.01 Telecommunications (without cable TV and radio activities) | | 71 % |
| 64.20.02 Cable TV and radio activities | | 3 % |

Source: National Accounts (NA), structural business survey 2001

## 2.1 Post and courier services (ÖNACE 64.1)

The structure of the sub-sector Post and Courier Activities is dominated by the large share of National post activities where only four enterprises are supplying services producing about 82 % of the total turnover (see Table 2). The rest is contributed by courier services other than national post activities producing 18 % of the turnover

Tab.2 Business register: Number of Enterprises and turnovers 2002

| ÖNACE category | Number of enterprises/ agencies | Share on turnover 2002 |
|---|---|---|
| 64.1 Post and courier services | 247 | 100% |
| 64.11 National post activities | 4 | 82 % |
| 64.12 Courier services other than national post activities | 243 | 18 % |

## National post activities (ÖNACE 64.11)

The national post company (Österreichische Post AG) is the leading service provider in post services. Even after liberalisation which has partly taken place (infrastructure is still exclusively in hands of Post AG) almost 100 % of total postal and parcel services are handled by Österreichische Post AG. Three other suppliers are existing and partly cooperating with Post AG but they are still of rather marginal importance (about 0,12 % of total turnover).

**Courier services other than national post activities (ÖNACE 64.12)**

This sector is relatively small in Austria achieving about 18 % of the turnover of post and courier services in 2002. However the structure is much more balanced than for post services. According to the business register in 2002 there were 243 enterprises supplying these services of which the 4 largest enterprises obtained about half of the whole turnover of courier services.

The market leaders in this sector are the Direct Parcel Distribution Austria GmbH (DPD), which cooperates with the Post AG, DHL International and UPS. DPD is a joint venture initiated by leading freight forwarders - not only within Austria but in international trade as well.

## 3 DEFINITION OF POST AND COURIER ACTIVITIES

According to ÖCPA (Austrian Product Classification in combination with ÖNACE) the two sub-sectors of post and courier services are typically producing the following post and courier services:

on national post activities (ÖNACE 64.11):

- Newspaper post services (delivery)
- Letter post services (collection, transport, distribution, delivery)
- Parcel post services (collection, transport, distribution, delivery)
- Administrative Services
- Miscellaneous Services (renting out of post box, poste restante)

on courier services other than national post activities (ÖNACE 64.12):

- Pickup, transport and delivery of letters, parcels, packets, documents, etc. by different kinds of transport
- Miscellaneous courier services (urban courier services, freight taxi, etc.)

# 4 SAMPLING STRATEGIES

On the basis of the activities and types of services specified by ÖNACE and ÖCPA in general the sampling is done in two stages: first selecting the typical services produced by the respective activity and then to build a sample of representative enterprises producing the services.

## 4.1 Sampling of services

Selecting a sample of product/service groups generally needs to take into account several criteria: certain degree of representativity (expressed in terms of output/turnover by product/service, market presence of the product/service during at least two reporting periods and persistent product/service quality. Moreover for a selection of services to be considered for the price observation the following criteria must be taken into account:

- The post and courier activities included in the basket of goods should represent a significant part of the total turnover of the various activities post and courier services.
- The selected services should represent the price development of all other items in the same services group not included in the sample.
- The selected services should be available for a longer period of time.

## 4.2 Selection of enterprises

The sampling procedure used the “business register” as the basis listing the producing units according to their activity (ÖNACE). The problem was that enterprises classified under a certain category of activity offer quite different types of services and prices depending on rather different circumstances. The sampling of companies will therefore be relatively wide in order to cover the range of diversification.

# 5 IDENTIFICATION OF PRICING ITEMS

In order to price a post or courier service one needs to identify those characteristics of individual or groups of services which are determining the price. For most types of post and courier services a number of factors seem relevant such as:

- ***Kind of good to handle***
  parcel, packet, documents, specials (shuttle box, thermo logistics)

- ***Size*** (bulk, foldable objects)

- ***Weight***

- ***Destination*** (intra-urban, interurban, national, international, European Union, European Economic Area, worldwide)

- ***Type of means of transportation*** (airplane, train, ship, bicycle, public transportation, by car)

- ***Speed of delivery*** (normal, express, consignment of valuables, registered letter)

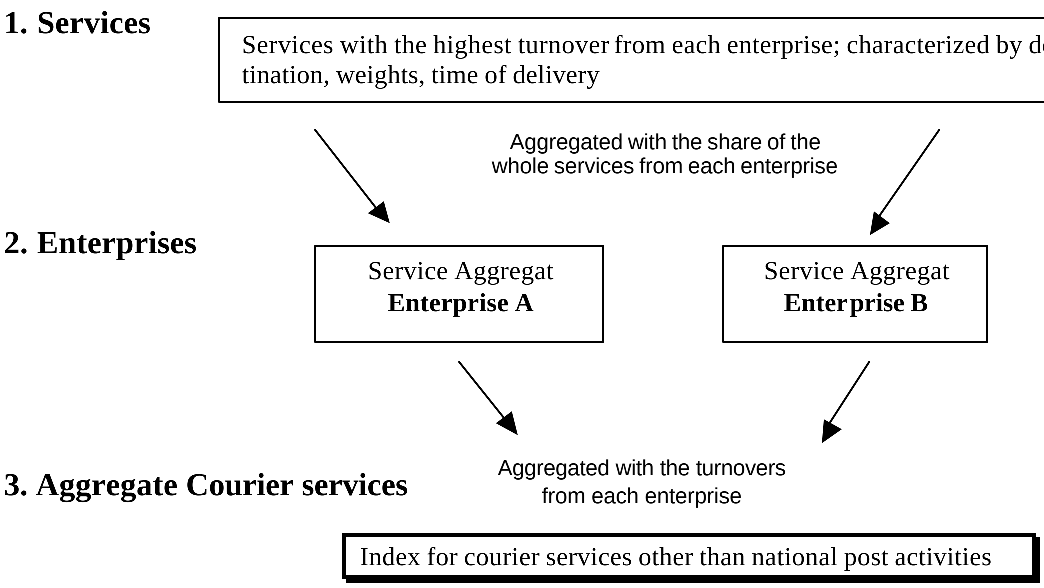
- ***Time of delivery*** (day-time, night-time, weekday, weekend, Saturday)

Specifying post and courier services one arrives at item definitions where these characteristics appear in different combinations and relevance. The task is to find out the most important services which are comparable over time and probably also between (at least some) reporting units.

For postal services the process of selecting and specifying important pricing items is not rather complicated because the national post company offers a quite detailed and well-structured tariff system which also provides weights (at least widely) . The only difficulty is the institutional aspect, i.e. to distinguish between services rendered to business and those for private purposes. The Austrian PPI for postal services will therefore include a number of specifications taking into account the different types of business-relevant services.

For courier services other than national post services the situation is much more complicated. Prices for business costumers are mostly based on contract prices and services offered by different companies can be rather diversified making averaging across enterprises and comparisons over time quite difficult. It seems that a product/service stratification (e.g. according to destination, means of transport, etc.) turns out to increase the number of combinations. Therefore two major approaches are discussed at the moment: the stratification by enterprises and the stratification by service types.

**Stratification by enterprises**



This approach aims to observe prices for a mixture of different courier services provided by an enterprise, to compile an average of the individual price series (weights: share of differrent types of services on the total output of the enterprise) and aggregate these indices using the share of the respective enterprise on the production output of ÖNACE 64.12.

**Stratification by types of services**

| **Courier services worldwide** | **Courier services European Union** | **Domestic Courier Services** | **Intra-urban courier services** |
|---|---|---|---|
| Enterprise A<br>Enterprise B | Enterprise A<br>Enterprise B | Enterprise A<br>Enterprise B | Enterprise A<br>Enterprise B |

Aggregated with simple/weighted average

Index for courier services other than national post activities

This approach aims at the stratification by certain characteristics of courier services (e.g. destination). The price quotations for each specified group of courier services collected in different enterprises are averaged by simple averages and related to the average price of the base period.

The compilation of a weighted overall index for courier services would need some weighting information on types of courier services across enterprises. So far it was not possible to generate such weights from any data source. In that case it is necessary to start with an unweighted index and to investigate some research work in order to obtain reasonable weights.

Discussion which approach to follow is still going on and the decision will heavily depend on the availability of reasonable data from business surveys.

## 6 COLLECTING DATA AND PRICING METHODOLOGIES

Due to rather limited resources the data collection could not be started yet however there is some hope to commence still before the end of the year. We are not expecting too many difficulties for postal services because the tariff system there is quite transparent and the data sources are satisfying. However we are aware that because of “tailor-made” services and certain business clients also contract prices exist. It will therefore be necessary to apply some model pricing besides the normal routine of item pricing. We expect such situations for postal as well as courier services. It will also be necessary to take account of discounts for business clients when collecting prices for postal services. In that case and also for taxes and fees the existing prices from regular CPI surveys must be modified.

Due to the relatively low importance of courier services it is intended to reduce the sample to the most important service producers in this area (not more than 10 – 15 enterprises) with the aim to cover the variety of different courier services.

## 7 NATIONAL ACCOUNTS REQUIREMENTS

According to the “Handbook on Price and Volume Measures” the use of appropriate and representative PPIs taking account of quality changes is considered as an **A method** which also stipulates to cover the full range of services produced and the computation of any discounts if given. The use of a CPI for post services, adjusted to basic prices, is also considered as a suitable A method. UVIs for homogeneous services or the use of number of letters or parcels broken down by different postage rate would also be a B method.

For the production of a PPI for post and courier services it is intended principally to focus on the base of collected price information as described above. However for reasons of timeliness and resources it might turn out that also other approaches (UVIs, CPIs plus adaptions) must be applied in certain areas and for some time and if reasonable.

## 8 NEXT STEPS

Statistik Austria considers to continue developing the survey infrastructure for a price index for post and courier services during 2003. This means:

- To decide which representative items to put into the service basket (service sampling)
- To specify and describe these items in detail
- To ensure the regular cooperation of selected service enterprises
- To collect the prices and to install the survey routine
- Investigate methods and procedures to be used for quality adjustments