ESTP course on “Output Prices for Services (SPPI) – Practices and Implementation”
Luxembourg, Jean Monnet Building
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6024 Freight transport by road
Main Issues

- Defining the service \( \Rightarrow \) classification
- Defining the transaction \( \Rightarrow \) quality change
- What prices *can* we collect? \( \Rightarrow \) pricing methods
Defining the service $\Rightarrow$ classification

*Classic definition*

\[ \text{‘Moving } X \text{ from point A to B under terms } Y \text{ (time, condition) for a price } P' \]

\[ \Rightarrow \]

Pure service and pure price
Defining the service ⇒ classification

- But what about,
  - Freight forwarding,
  - Cargo consolidation, management and handling,
  - Stock control and re-ordering,
  - Dealing with documentation,
  - Storage and warehousing,
  - Courier services,
  - Negotiating return loads for clients’ own transport,
  - Transport consultancy services, etc.,
Defining the service ⇒ classification

What is the ‘new’ service? (bundling)

- Problems comparing ‘classic’ with ‘new’ services
  - Sampling and classification issues, how do we get a clean frame and weights?

- Getting respondents to cooperate
  - ‘We offer transportation solutions’
Defining the service ⇒ classification

• Subcontracting as an issue: frequent in the industry. It is often excluded from price collection.
Defining the transaction $\Rightarrow$ quality change

- Select representative products transported
  $\Rightarrow$ quality-adjust a change in product if needed (e.g. liquids to general freight)

- Controlling for characteristics
  $\Rightarrow$ Size and type of vehicle, nature and weight of cargo, distance of journey and/or destination, time criteria for delivery, domestic or export, category, etc.,
Defining the transaction \( \rightarrow \) quality change

- Selecting representative products and transactions over time imply increased response burden.
- How much can you control for and what ‘leaks’ out into the pricing?
- What are you comparing over time and how do you quality adjust?
Remarks

- SNA

  - $V = P \times Q$

For deflation,

- What is $P$, what is $Q$?
  - Sampling the same units and activity.

- What frequency is $P$ (qtly price?)
- What frequency is $Q$?
SPPI Quality – Thoughts

- **SPPI–A**: Grade “A”. Close approximation to the “True” index. Trend in the same direction and same slope.

- **SPPI–B**: Grade “B”. Weaker approximation to the “True” index. Trend in the same direction but slope is quicker/slower.

- **SPPI–C**: Grade “C”. Not even close. Trend in the opposite direction and slope is quicker/slower.
SPPI QF

- ABS 92.5
- FSO 95 81.25
Key Issues

- **Industry vs. product**
  - Role in the development of country SNA
  - Desirable to develop separate turnover by product detail and separate price indexes for important secondary products (warehousing, storage & packaging)
  - Difficulty in constructing frame for products
  - Aggregation, Total industry (domestic & exports) vs. total domestic

- **Scope**

- **Transaction pricing is feasible?**
  - Contract pricing

- **SPPI for SNA or for inflation?**
  - Deflators, product groups

- **Total availability in turnover**
- Turnover for the SNA or other users?

- Quality adjustment is not complex issue?
  - Comparison with hourly wage rates.

- Data sources for turnover
  - Alternatives (see FSO), go up or down levels
  - Definition of turnover (what should we include?) movement of goods from A to B by road
  - Trade in services
• Alignment of prices and turnover
  • Different frequencies, classifications universes and missing variables or data.

• Bundling

• Response burden tradeoff for quality of index?

• Spot market vs. regular market
  • Methodology for treating