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Revisited Sector Paper on Courier activities (ISIC 4.0 53.20)

Ildikó Hamvainé Holocsy
Central Statistical Office (Hungary)

Denis Gac
Institut National de la Statistique et des Etudes Economiques (France)

1. Introduction

"**courier activities**" services were first considered by the 12th meeting of the Voorburg Group as part of development proposals for model surveys in Copenhagen, Norway 1993. The first aim was to provide structural information about this industry, rather than considerations about prices or turnover issues.
In fact, price index measurement was first considered with a series of mini-presentations in the 18th meeting of the Voorburg Group in Tokyo, Japan 2003, followed by others on the same subject, 2 years later in the 20th meeting in Helsinki-Finland 2005.

This paper is so programmed to be presented in the 25th meeting of the Voorburg group in Vienna (Austria) 2010 as a revisited paper on this subject, even if, for the moment, no sector paper was written on this industry.

This paper is so based on those different papers written for the previous Voorburg meetings and on a questionnaire sent to all statisticians invited to the next Voorburg group meeting on their experiments on SPPI and turnover measure experiments.

2. Classification

2.1 Industry classification

This item correspond to a quite narrow item in the different classifications which are used by statisticians. The issues are not in the long list of sub-items, but rather in the precise definitions we can read in the "includes" or "does not include".

The different used classifications are quite similar. The references are the same and the perimeter of this activity should be rather equivalent everywhere. They all correspond.

Comparison of Industry Classifications

	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:	**7111** Postal Services **7112 Courier Services**	**Class 5310 Postal activities** **Class: 5320 - Courier activities**	53.10 Postal activities under universal service obligation **53.20 Other postal and courier activities**	**492110 Couriers and Express Delivery Services** **492210 Local Messengers and Local Delivery**

2.2 Product classification

The classification of products resulting from the classification of activities is not very difficult to define. The official classification is not very explicit on the details of the services rendered. In view of different national experiences on this subject, the most appropriate classification and corresponding to actual observed practices can be established as follows:

--- Courier services ------------------ express delivery services ---------- by air
---------- by ground
---------- mixed
------------------ urban messengers
---- Food home delivery services

Comparison of Product Classifications

	ANZSPC	CPC ver 2	CPA 2008	NAPCS ver 0.1
general		**Division: 68 - Postal and courier services**	53 Postal and courier services	
detail:	6801 Postal servics 6802 courier services This item does not include: - messenger delivery services	• 6811 - Postal services • 6812 - Courier services • 6813 - Local delivery services	53.10 Postal services under universal service obligation 53.20.11 Multi-modal courier services 53.20.12 Food home delivery services 53.20.19 Other postal and courier services n.e.c.	

2.3 Issues in classification

Before introducing the new Nace Rev2. classification, in 2007-2008 most of EU's countries carried out a special survey to examine or find out the predominating activity of companies. However in some cases it is difficult to classify enterprises obviously .Each legal unit is

classified to a single activity, whether it is wholly or mainly engaged in that activity. The nature of a business can change with time, some companies have a very significant secondary activity, perhaps completely different from their main activity, and a small change of directors can lead to a new main activity and reclassification of the business. The reclassification of business for reasons such as these contributes to the year and year changes in the figures published.
This activity, also called “express delivery Industry” in the economic literature is stuck between 2 other industries:”

Differences with road haulage: the courier (like a letter) is not a good. The service is really a complex service described in the definition of the activity: collect, transport and deliver. The courier service is not a margin which affect the good which is transported. It is a service by its own.

We consider that courier services are in charge of small documents, small parcels, letters, light consignments. Road haulage, or any other kind of transport is in charge of every kind of volume or weight. In courier activities, it is not possible. The only parcels which can be carried are small parcels, usually under 30 kgs. Generally, parcels can be described as those that may be handled by one person without using special equipment. Sometimes there can be a confusion between courier services and freight forwarders. However a number of enterprises are involved in both activities depending on what the customer requires. (In Japan it isn’t a clear border between “Courier services “ and “Freight transport ”Road freight transport” includes” both of them.)
An important distinction is that providers must be able to provide end-to-end transportation, from origin to destination including local pick-up and delivery which distinguishes couriers from other industries. In addition, providers must be capable of doing delivery in a time sensitive manner to quality, as couriers. According to the other determinations of classification there is not a clear border for example between “Courier Activities” and “Other transportation support services” (ISIC Rev.4: 5229) or “Freight air transport” (ISIC Rev.4 : 5120).

Differences with postal services. The core definition of postal services and courier services are quite the same, except the fact that postal services are rendered under a universal service obligation. This postal operator is traditionally state-owned and public regulated. Many countries impose requirements on the incumbent postal operator to provide certain services at a certain, level of quality. Examples: requirements to provide a given frequency of deliveries or collections, to limit the maximum distance to the nearest post office, and to propose affordable offers for mail, or small parcels.
This company is generally unique in the country. Its activity is, so, well determined. Sometimes, this company have subsidiaries which are in the courier area, and, so in a real competition with express delivery companies.
The postal service generates a monopoly [1]as a compensation for the universal obligation, but this monopoly is however being eroded (OECD, WTO, EU, Private sector) arguing that express industry has a significant role in facilitating trade and competitiveness.
If it is not clear that the delivery of ordinary letter mail from household to household is able to sustain a real competition, corporate mail business, express mail can sustain it. Some countries have completely liberalized their postal sector (Sweden, New Zealand, Finland) and some others have retained a small reserved area.
So, after successive amendments to the legislation, many countries reduce the scope of the postal monopoly: by reducing it to the carriage of letters for some price (1€) or less, and weighting less than 500 grams, then 200 grams, then 50grams…[2]

[1] The French Post Office, as operator of universal service (2), has a reserved area (monopoly). Under the 2002 directive, the monopoly of the Post Office is limited until the end of 2005, items of correspondence (letter sent by households and firms, domestic or from abroad) less than 100 g and a price less than three times the basic tariff in the maximum limit of one euro, in May 2005, this base rate is the postage for a letter of less than 20 g to 53 euro cents. From 1 January 2006, the limit weight of the postal monopoly price will be lowered to 50 g and two and a half times the basic rate

[2] EU: The Directive of 1997 and the amended 2002

Two European Directives (1997 and 2002) preside over the opening to competition of the postal sector.

The liberalization of the postal market increasingly blur the distinction between postal and courier services.

Scope of universal postal service (France)

Mailings

- Items of correspondence up to 2kg (letters sent to businesses and households. Ex: letters, direct mail
- Reserved Area of Post (benefits under monopoly)
  Until 31/12/2005 items of correspondence <100 grams or from abroad <3 times the basic rate
  After 01/01/2006 items of correspondence <50 gram or from abroad <2.5 times the basic rate
- Books up to 2 kg
- Newspapers, periodicals up to 2 kg
- Catalogs up to 2 kg
- Registered packets and values reported
- Parcels up to 20kg

Out of scope universal postal

Mailings

- parcel> 20kg
- Items of correspondence> 2kg
- Books, newspapers, periodicals, catalogs> 2kg

No mailings

- postal unaddressed advertising
- Express delivery
- Urban messengers

To ensure that the rules that should apply to holders of postal monopolies under the universal service are met and to ensure that the sharing of activities are properly respected in the country, countries have established regulation authorities (the case in European countries, but also in USA, Norway, New Zealand ...)
Does the change of the definition of activity depending on whether one refers to the National Post or to the "Universal Service" have an impact on things there? as suggested in the table above, the liberalization of postal services led to the emergence of local companies which can

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Directive 97/67/EC, known as Framework Postal Directive is a harmonization directive. Adopted December 15, 1997, it establishes the principle of a universal postal service defined by common rules: guaranteed minimum benefits, constraints on the arrangements for the USO, setting goals for quality of service.

It guarantees the existence of a universal service provision and sets the conditions of its financing. It defines the main tasks of the Member States through the creation of a national independent regulatory authority (NRA) designated to perform the tasks under the Directive (including continuity and control of universal service, transparency and monitoring of service quality). There is also the principle of gradual and controlled opening of the postal sector to competition for full market opening planned for 2009.
Directive 2002/39/EC of 10 June 2002 sets out the steps in the liberalization of the postal sector:

- From 1 January 2003, the booking area, ie, services that the universal service operator may retain the monopoly is limited to items of domestic correspondence and incoming cross border up to 100g. In 2006, this threshold will be lowered to 50g.

- - The date of 2009 for a full opening to competition must be confirmed by the European Commission before the end of 2006, based on impact studies.

  The Directive also provides that universal service providers may offer tariffs "special" services for businesses, bulk mailers or intermediate number consolidators of mail from multiple transmitters.

  Finally, it prohibits cross-subsidies between the reserved area and competitive sector, unless such a subsidy is absolutely necessary to fulfill specific obligations imposed as universal service in the competitive area.

compete with the national company (on cross-border mail, on collection and distribution mail on well-defined urban areas). So are those companies part of 53.10 (Universal Service) or 53.20 (other activities courier)? It seems that opinions do not converge: the Classification Unit, consider that those companies provide services outside the universal service obligation (case for France). However the activity of these companies is still too limited for this issue becomes critical.

However, the express delivery industry is not directly in competition with the postal industry, because more specialized. The core business of the express industry is the provision of door-to-door transport and deliveries of-next day or time-definite shipments, including documents, parcels and merchandise goods.

So, what is this industry?

The express industry. For short, few companies (4-5) are the leaders of this industry (DHL, FedEX, TNT and UPS). It is interesting to notice that DHL comes from the German Post and TNT from the Dutch Post. They are referred to as “integrators”, as they are supposed to have the ability to offer door-to-door integrated services, where the company maintains control over all aspects of the distribution process (offering the possibility of changing the destination and addressee) with each item being tracked at every step throughout its journey.
The courier industry comprises establishments primarily engaged in providing air, surface (ground) or combined courier delivery services. Affiliates of National Post working outside the universal services can be considered of course in “courier services” industry.
As already written in 2003[3], but now probably more and more true, it is becoming more and more difficult to define a clear boundary between what might be classified as freight and consignments that are typical of the courier and express freight market. Most companies in the transport area compete for the same business. However, express transportation is achieved by using a variety of different transport modes: lorries, vans, trains, passenger aircrafts, and freight aircraft as well as on-foot delivery.
Advantages of this activity remain:

- **Guaranteed delivery** (as the reputation of a business is undermined when their deliveries fail to arrive on time or are lost in transit)
- **Speed of delivery** (as an element determining competitiveness- sometimes speed to market is more important than cost in determining their competitiveness).
- **Ability to track** the location of products en-route.
- **Simplification of the global process** (organization of collection, customs clearance, payment of taxes and duties).

The services provided by the express industry are used by companies across the business spectrum. The most important client sectors include high-tech and other leading growing sectors, such as IT, pharmaceuticals, electronic, finance. But the express industry is also used by firms in other sectors, like textile, automotives and engineering. The role of this sector in facilitating trade and competitiveness is recognized.

Hub and spoke model (FedEX in the 70s) is typically the model of special organization that has enabled the development of this type of activity.

[3] Nick Palmer, 2003

3. Turnover Statistics – Recommended Development Options

The main purpose of the producing turnover statistics is to provide indicators of the economic cycle, from which several indicators are derived.
Annual data is the basically requirement for economic benchmarks. Short term data generally refer to flows during the quarter, as well as to beginning and end of quarter for stocks.

3.1 Data collection

From 26 countries – participating to the inquiry carried out in 2010 by VG – 19 countries took a share in producing turnover statistics for courier activities.
According to the survey, some of those countries haven't collected turnover data (e.g. Canada, Slovenia) due to the budget constraints or to reduce respondent burden by the use of administrative data. In most of countries data collection is based on a statistical survey. In principle the supply of data is compulsory. Combination of survey data and administrative data is used as well (e. g. Germany, Netherlands, France, Hungary).
Missing data are typically estimated by using administrative (mainly tax) data to reduce response burden.
Turnover data are collected every five years, annually, quarterly or on a monthly basis.
In US every five years, coverage for couriers is included in the Economic Census. In the majority of countries annually survey is carried out typically within the frame of structure business statistics (SBS) quarterly or monthly within the frame of short term statistics (STS).
The majority of countries who produce short term statistics also collect turnover data on an annually or 5-yearly basis to satisfy relevant rules and needs of National Accounts.
Data collection media is usually questionnaire by mail and electronic data collection.
Typically an integrated questionnaire is used to collect turnover (and other necessary data for economy: registration tax of cars, energy tax and excise duties, purchase value of goods resold, value of indirect services, value of own account capitalised production, stocks, number of persons employed, hours worked, gross wages and salaries, as well as investment data)
Turnover is defined as the total net sales value. Value added tax is not included, price supplements are accounted for.

3.1.1 Selection of companies

Turnover survey is sampled usually under standard sampling routines, namely countries collect data according to the standards, first of all taking into account industry structure – information available mainly in national business register (e.g. in Hungary Register of Economic Corporations and Unincorporated Enterprises) - additionally burden of data collectors and of respondent.

Reporting/ observation units are legal units considered as enterprises or kind of units (KAU).
In majority of countries the following variables are used as the measure of size in the register:

— number of persons employed (single value);
— size-classes;
— turnover (single value);
— turnover size classes.

For example in Hungary enterprises having 50 and more persons employed, and those having 5 and more persons employed, are observed by an exhaustive survey. Enterprises having 50 and more persons employed are observed by a full scope survey, while enterprises with 5-49 persons employed are observed by a sample survey. The selection of the sample from the sample frame occurs through random stratified sampling. The data for enterprises having less than 5 persons employed are estimated from the tax data of the previous two years. (The aggregates are calculated in the traditional way, but data are not published in Hungary, they are only transmitted to Eurostat).

3.1.2 Population structure

In several countries, to reduce burden, only enterprises with 5 and more persons employed are surveyed. Data for enterprises with less than 5 persons employed are estimated from administrative sources (majority of EU countries).
Surveys are costly, however appropriate detailed turnover data couldn't be obtained from administrative sources.

Table 1: Turnover based on the employment band, VG survey 2010 (Netherlands, Spain)

Employment band	Netherlands	Spain
0-4	9,7	9.0
5-9	4,4	
10-19	4,2	21,2
20-49	5,1	
50-99	6	26,7
200-499	4,3	
>500	66,3	43,1
Total	100	100

Looking at the data in Table 1, both in Netherlands and Spain turnover share in the lowest employment category is approximately 10%, while in the employment band with 100 employees or more, this proportion is higher than 76% in Netherlands and 43% in Spain respectively.

Table 2: Number of units by the employment band, VG survey 2010 (Czech Republik, Hungary, Singapore, Spain)

Employment band	Czech Republik	Hungary	Singapore	Spain
0-4				75%
5-9	97%	95%	87%	
10-19				20%
20-49	1%	4%		
50-99	1%		11%	5%
200-499				
>500	1%	1%	2%	1%
Total	100%	100%	100%	100%

According to the results showed in Table 2 a determinative part (approximately more than 80-90%) of enterprises classified in courier services have less than 10 employees. On the other hand the share of market leader units with more than 100 employees is less than 1-2%.

3.1.3 Data collection at the product level

The output of courier industry can be disaggregated by the specific types of service provided – as discussed in the section on classification – accordingly some of countries collect and publish turnover data at the product level. However collecting data at this level is often difficult and costly, what's more in many cases publishing of data is not possible because of data protection rules (e.g. Germany, France).
For example UK use the CPA classification as a guide, however the product level classification including 9 products is also developed in discussion with industry experts to make it as representative as possible.

Sub-industry data are available for air and other couriers (e. g. US, data are principally available from the Economic Census),
The major service lines, regarding the biggest part of turnover/ revenue are in Canada and US couriers and messengers industry including parcel delivery. In EU countries multi-modal courier services. Especially in Germany after the full demonopolization of the sector in 2006, the biggest share of the industry output result providing letter services.

The biggest part of turnover depending on classification:

CPA'2008:

- Multi –modal courier services (53.20.11: Czech Republic, Hungary), provided by enterprises with 100+ employees.
  Next day delivery (e.g. UK at approx 55%)
  Letter services (e.g. Germany, Slovenia)
  Transport of parcels, until 2 kg (Spain)

NAICS:

- Courier and messenger services, including parcel delivery (US, Canada approx 80%)

Table 3: Turnover share by group of services and destination, VG survey 2010 (Slovenia)

Group of services	Percent*	Destination	Percent*
Letters	66,6	Inside cities	9,4
Parcels	9,7	Slovenia (excl. cities)	39,6
"Quick mail services"	0,8	EU	28,6
"Direct mail"	22,9	Rest of the world	22,4

* 2006

The courier activities industry in China (China Industry code 5990) comprises establishments primary engaged in providing collection, transportation and delivery services of parcels or small-size articles, as well as providing customers with fast, convenient and flexible business express services, other than national postal services. All activities in this industry are excluded from the national postal system, which is the major competitor of the courier activities.

The major products and services segments in China: (China Industry report, 2009)

- Inland Express Services
- International Express services
- Urban Express Services
- Others

The primary activities of companies in courier services industry in China: (China Industry report, 2009)

- Non-national postal express services
- Non-national postal delivery services of all types of small-size articles or parcels
- Non-national postal delivery services of the press
- All types of the business services
- All type of household express services

3.1.4 Data compilation

One of the most important methodological question is, how to treat non-response cases to provide appropriate quality of aggregated indicators. The next solution is one of the possible ways:

- For the full scope survey: non-response data are imputed by administrative data or the available data of the previous period of the unit, if it is not available, by the mean of the units belonging to the same size group and activity.
- For the sample survey: one part of non-respondents is imputed by zero, the other part of those by the means of the corresponding stratum.
  To get estimates for grossing up to population level sample, means are multiplied by the sample size of the population in the various strata.

3.2 Other consideration

To assure that companies classified as a courier company really offer those services, in most countries turnover survey contains a question about the main activity of the company. Otherwise when data collectors are not sure if the classification "Courier activities" is correct, it is proposed to call the company and ask contributors about their activities.

In Hungary the Statistical Research and Methodology Department is responsible for classifications. The primary and secondary activities are derived from administrative sources and some surveys. The classification of economic units depends on the value added, turnover and labour data. The surveys used for the identification of primary activity are the following:

- base information for the newly created enterprises;
- report on change for the determination of obligatory data supply;
- Annual Integrated Survey of Economic Statistics (SBS);

From 2000 the top-down approach on the basis of the estimation of value added data has begun and the old primary activity is kept for 2 years (stability rule). Local units are classified independently from the enterprise.

Most of EU countries in 2007-2008 –on the some lines with the practice described by Czech Statistical Office – carried out a special survey with intention to find out a predominating activity of businesses in the new statistical classification of economic activities NACE Rev. 2. The survey focused on small businesses classified according to the old classification NACE Rev. 1.1 to those activities not unambiguously convertible to the classification NACE Rev. 2.
Through that survey and regular (monthly, quarterly and annual) statistical surveys the predominating activity in both classifications (NACE Rev. 1.1 and NACE Rev. 2) was examined or find out. Predominating activities of the businesses in the rest of the population were determined using mathematical models based on the suitable donor principle (method).

In general EU's countries have a separate statistics covering National post activities (with exception e.g. Germany where since the full demonopolization of the sector in 2006, there are available only data for courier activities, ISIC 5320).
With some exception countries cover the whole of the courier services industry.
To ensure estimates as realistic as possible, it is proposed short term statistics to confront with the annual aggregates, as well as with tax data.

Majority of countries have not encountered any specific challenges in collecting turnover for courier activity. It is a standard industry within the structural business (SBS) survey or short term statistics (STS) survey and turnover is collected under standard sampling routines.
As the main challenge in developing of turnover statistics for courier services was mentioned finding out a predominating activity of business (in new NACE Rev2. in EU).

For most of countries there haven't been no notable complications in obtaining a sampling frame and selecting firms, and respondents are able to provide pricing data with minimal difficulty.

To reduce respondent burden it is proposed to increase the share of electronic data collection.

3.3 Publication

In most of cases countries publish the results on the NSI website free of charge, mainly according to the release calendar. This release calendar gives some months prior notice of the precise release dates and covers releases for a year.
Individual data, as well as aggregates consisting of data of less than 3 enterprises are generally regarded as confidential and therefore not published according to the legal rules (Statistical Law).

In many countries data are revised quarterly and generally also in the Summer after the reference year. Because of the reclassification of business and for other reasons data may be corrected retrospectively, if necessary. Accordingly the data can differ from figures of the previous publications.

finally three different types of activities constitute this branch.

- · On the one hand the **"express delivery"** highly concentrated market dominated by companies operating on a global market with high barriers to entry, have multi modal transport capacity (air, road, rail).
- · On the other hand, a very competitive market of small businesses, **"urban messengers**, working in small urban areas, with little capital – the delivery of letters and documents often by bicycles or on foot; the delivery of small parcels such as take-out restaurant meals, alcoholic beverages and groceries usually by motorcycles, small vehicles. These companies do not belong to the same economic and social environment, constituting a very distinct entities.
- · And finally, the activities produced by competitors of the incumbent postal operator, the "**postal competitors"**, who may have here or there the necessary permits granted by the Government or regulatory authority to operate next to the universal service provider.

Collecting information on turnover in the "express delivery" should be calibrated to cover without much difficulty the largest share, even from almost total activity. The low number of companies should make this option feasible.
Regarding the activity of "urban messengers" the situation is quite different, but the stakes are much lower, because of the relative modesty of this activity.
In most countries the industry is dominated by a few large enterprises, that's why the survey is limited to these economic units.

(remark: collecting the real industry turnover can be a challenge when the express delivery companies are not well classified, accordinfg to the official classification. Due to the very close border between transport and courrier, those companies were wrongly, in France, traditionally classified as "Other transportation support activities 52.29", which strongly underestimate the sector turnover and create a serious gap between the turnover and the SPPI).

3.4 Statistics (Overview of international progress)

VG2010 Aggregate Status Summary Table 5320		SPPI	Sdate	Turnover	Tdate
Courier Activities					
	Australia	1	2009		
	Austria	1	2007	1	2008
	Canada	1	2003		2008
	China			1	
	Czech Republic	1	2005	1	2008
	Estonia	1	2008	1	2007
	Finland	1	2002	1	1995
	France	1	2004		
	Germany	1		1	2006
	Hungary	1	2007	1	
	Israel			1	1995
	Japan	1	1985	1	2008
	Mexico	1	1994	1	2005
	Netherlands	1	2002	1	2000
	Norway			1	1999
	Poland	1	1990	1	2008
	Singapore			1	1984
	Slovenia	1	2008	1	1995
	Spain	1	2005	1	1999
	Sweden	1	2005	1	1997
	US	1	1992	1	1982
	UK	1	1998		
	Bulgaria	1	?		
	Denmark	1	?		
	Estonia	1	?		
	Slovakia	1	?		

4. SPPI – Recommended Development Options

4.1 Data collection

The main data source is principally a survey, carried out by the Statistical Offices. Certainly several other sources could be observed: web site (Canada, Czech Republik, Slovenia - in some cases rate finders, or online invoice calculators are available); telephone interview (mainly for local messengers, e.g. Canada). Regulatory authorities can also provide some data.
Prices are mainly collected monthly or quarterly.
Administrative data are used first of all for sampling purposes.
The product list that is used (the collect classification) can be developed by the Statistical Office, agreed with representatives of respondents or a regulatory authority, but specific product/ transaction or a product list is mainly identified directly with each individual observation unit.
Contacts with companies are usually initiated by personal visit but, all subsequent pricing is done by questionnaire.
Many countries in the frame of SPPI survey on prices, collect turnover/ revenue data usually on an annual basis to ensure appropriate weights for index calculation (e.g. Netherlands, Hungary). France carried out a special survey when the field-officers visit each enterprise in the sample.

B2B, B2C, B2All approach

EU's STS regulation[4] prescribes calculation of B2B[5] type of indices, however for deflation of total output requires (but optional) B2All indices as well. To correspond to the legal obligation most of European countries collect B2B prices (with exception e.g. Germany, Czech Republic, Poland) and creation of B2All indices is often still under development. B2B approach follow Japan as well, however in other OECD countries B2All indices are most common.
In some other cases CPIs/ HICP may also be reprocessed to produce SPPI index (mainly B2All type).
Business customers dominate the demand for postal services[6], particularly for courier activities, however the demand from households is also significant (but in France households are a tiny consumer of those services). Due to the above reasons B2B index may be quite the same as a B2All index. While Eurostat asks for such an index (primary B2B, but rather B2All), the National Accounts needs indices according to the level of the "Supply and Use Balances" (in France: 5310 + 5320 together. Households represent only 15% of the uses).
The boundary with export/ domestic market is a bigger issue (in the measurement of the activity, probably more than in the calculation of a separate index).

Selection of companies

Most of countries (especially in EU) select the enterprise as the observation unit.
Typically a few large companies dominate this industry, which are price leaders.
According to the VG survey, cut off sampling is the predominately method used as sampling selection method, where a census of units is taken above a size threshold (or cut off line).The top few companies are selected to represent the industry, with random or subjective sampling being completed. (In Canada subjective sampling refers to selecting respondents on the basis of geography and not necessarily on their size. In Japan selection of representative companies occurs by interviewing related Ministries and looking into published data).

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[4].Regulation 1158/2005 of the European Parliament and the Council amended the original STS Regulation
[5] Output prices for services delivered to customers that are enterprises or persons representing enterprises.
[6] Isabelle Rémond-Tiedrez, Statistics in focus 103/2008 Eurostat

Other countries use probability proportional to size (PPS) sampling (e.g. US) or stratified random sample mainly from the Business Register. Stratification variable is usually turnover or employment size (e.g. Germany have cut–off survey with PPS sampling where the threshold is 100,000 EUR and a full–count is conducted above 25 Mio EUR; in Netherland more than 100 employees are sure to be in the survey, in Hungary beside employment (more than 50 employees or between 10 and 50 employees) residency of client is taken into account).
Australian price indices are based on judgement samples[7] where the sample is selected on the basis of the knowledge and judgement of staff compiling the index.
The most common frequencies for updating samples are annually or every five years.

Sample size

Sample size depends on the industry structure of related country and on the sampling method used. Because of the high concentration, in general, the sample size is low (Japan, Czech Republic). Among countries participated in VG survey, the top few companies cover more than 60 % of the turnover/ revenue generated by the industry. In most cases coverage is more than 80%. In countries applying purposive sampling method with some combination of either methods for selecting smaller companies, the simple size is higher.
According to the special national rules, in some countries the number of selected companies and price quotations are confidential to protect the privacy of correspondent companies participating in the survey, (e.g. US, Japan).
Regarding product classification, courier services are fully covered in most countries, with home food delivery services, the most common exception (e.g. Denmark, Germany).
Number of received price quotations vary between 20 (Czech Republic) and more than 2000 (Canada).

Weighting system

Generally countries apply Laspeyres formula for index calculation. In some cases simple unweighted indices (Jevos - geometrical or Carli - arithmetical average of price quotations) are produced.
The weights of the aggregated price index are based on the transaction values.
In most of countries turnover/ revenue is used (from the base year or else it is updated every 2 years/ yearly). The most common sources are structured business data (SBS), usually from 2 years previous (Y-2, national accounts data, turnover data collected from a special survey, mainly from the previous year (Y-1) and the price survey itself.

4.2 Price determining characteristics

Prices are collected for a detailed set of price specifications.
The price of provided service depends on 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.). Some countries mentioned additional criteria, such as the type of client; type of packaging; insurance or registered/special delivery (for example, the “guide for tariffs ans services” for UPS Company is a 60 pages brochure).

In UK prices are collected in 9 categories (split by destination: UK, other EU, rest of World); and timing (same day, next day, other).
According to the US report written in 2005[8] the most important price determining characteristic of couriers is the time it takes for a package to be delivered to the recipient. The courier customer does not care what modes of transportation are used, only the package gets to its recipient in the allocated time. For example, an air shipment will almost certainly involve

[7] Pedr Garmonsway and Paul Boling, 2005
[8] Paul A. Stark, 2005

ground transportation at some point during the delivery process while a ground shipment may very well complete part of its route on an airplane.
Express delivery services by air are the more time sensitive (and higher priced) while standard courier services are slower (and lower priced).
Courier services by air usually include a domestic component and international component.
An important methodological question is how to define export of courier industry and how to observe international component (to prefer the residency of the customer or territorial principle).

In most countries prices exclude taxes (e.g. VAT) and in EU countries generally include discounts, rebates and other surcharges. However for example in Canada price exclude assessorial charges (such as customs brokerage, third party billing or tag services and other charges (e. g., cargo services, pick-up service charges, trace charges).

Thus the price can be expressed:

Price = Base rate + fuel surcharge + other applicable surcharges (e.g. delivery area):

It should however be noted that extremely large number of transaction take place in this industry, while the item allocation is comparatively small. Major service providers due to high concentration levels account for the bulk of transactions.

4.3 Pricing methods

Selection of observed services and the choice of pricing methods used would be determined on the basis of discussions held with the enterprises at the beginning of the survey – depending on the nature of the product, industry accounting system and cooperation of respondent.
Majority of countries apply real contracts directly from service providers.
The most used pricing methods are: direct use of prices of repeated services (mainly list prices), unit value and contract pricing, but some countries use other methods (e.g. Netherland: model pricing).
There are so many different prices, according to the time, geography, size of parcel…that a real issue is to have representative prices. The Companies prefer to give average prices (per kg from a country to another for example, or from a country to another continent, or an average price per parcel). The real challenge is to be sure that it is not untrue, or false. When companies track such indicators, their aim is not the same that our.

The most used pricing methods, VG survey 2010

VG2010 Aggregate Status Summary Table Courier Activities 5320	Countries
Direct use of prices of repeated services (mainly list prices)	Japan, Czech Republic, Germany, Hungary, Slovenia, UK, France
Unit value method	Germany, Hungary, Spain, Sweden, France
Contract pricing	Germany, Sweden, US, France
Model pricing	Netherland

what are the recommendations that can be done in terms of price quotations?

Best: contract prices with big and representative customers: prices for a type of parcel or types of letters from A to B , within a period set (day +1, day +2)

Average prices (per kg, per letter, per parcel in any weight given, 5-10kg) within a period set, from a point A to a part of the world B (East Europe, US, Asia, North Africa…)

Selected representative tariffs with good estimation of discounts

Very precise and detail model pricing (but many ones, varying destinations, delays, weights)

Second best:

Tariffs without any discount

Averages prices per kg to different destinations

4.4 Other considerations

For most of countries there haven't been no notable complications in obtaining a sampling frame and selecting firms, and respondents are able to provide pricing data with minimal difficulty.

The main challenges in developing the index for courier services have been:

- Special contract prices (volume discounts for big clients). In most of cases they are missed in price collection.
- Accessing the weights and market leader's prices.
- The thin line between national and international courier services.
- Security cooperation from firms to participate in survey
- Quality adjustment (e.g. the prices can't be directly compared when transaction partners or services are replaced).
- Response burden and cooperation.

4.4.1 Quality adjustment

The quality of this index is maintained usually through the expertise of the few trained analysts assigned to it. They develop a thorough knowledge of the domain, which is supplemented by outside personal contacts. It is important to detect and follow up unusual fluctuations over time in the pricing patterns of this service.

For treating missing values countries follow mainly two methods: repeating the price from the previous period, or using the average price development of similar products/ enterprises.

In this industry the most common used quality adjustment methods are the overlap method, comparable adjustment and quantity adjustment.

To maintain the quality of the data it is proposed to contact companies regarding any significant price change or change to the existing service.

Most of countries make comparisons, mainly on an ad hoc basis with data from other sources (e.g. CPI, SPPI from other countries, regulatory or administrative data, exchange rate movements).

If most services are performed on an ongoing basis, quality adjustment is needed infrequently.

Prior to dissemination the price indices and historic trends should be analyzed.

4.4.2 Other development options

The price specification for quotes needs to be detailed to ensure collecting the correct prices. This means being explicit about the inclusion of discounts to specific customers.

It is recommended to try to identify whether countries follow a product or activity (industry) approach to index calculation. In addition it should be determined what is the primary use of the SPPI's: as price index to evaluate market conditions or as deflators (e.g. for national accounts).

It would be appropriate to clear identify what means international courier services and export regarding this industry. What is the correct approach: residency of the customer or the territorial principle. In the case of the territorial principle, when part of the courier lies across the border, what part is export?

4.5 Publication

Countries generally publish the results on the NSI website free of charge (e.g. UK in the quarterly SPPI release, Germany in a press release and in the destatis data bank GENESIS, in Japan on the BOJ's website).
European indices (EU27 and EU15) are available on the EU'S website "circa", (B2B and B2All).
Some indices are available within 1 month (CZ), many countries have indices published at least within 2 or 3 month (at least provisional data).
It should be noted that in some countries the index can not be published due to confidentially reasons (the industry is dominated by limited number of enterprises), however the index is calculated for deflation purposes of the national accounts (e g. Sweden), or the two separate price indices (postal services and courier services) are only published in an aggregate form, "Postal and courier services". Otherwise some countries has published courier services indices at a product level, which differ according to the classification used. For example Germany apply a self-conducted classification and publish indices for (1) courier services and (2) letters, parcels and express services. Because of confidentiality indices couldn't be published on a deeper level.
In France 2 indices are disseminated: one for courier to France only, another for courier to foreign countries.
Same countries make regularly revisions mainly as often as necessary (e.g. because of new data), the other only revise when there is a clear mistake or inconsistency in time lines.

4.6 Statistics

Number of selected companies and price quotations, VG survey 2010

VG2010 Aggregate Status Summary Table 5320		SPPI	Frequency	Number of companies	Number of price quotations	B2B/ B2All
Courier Activities						
	Australia	1				
	Canada	1	M	44	2136	B2All
	Czech Republic	1	M	6	20	B2All
	France	1	Q	23	207	B2All
	Germany	1	Q	350		B2All
	Hungary	1	Q	20	80	B2B
	Japan	1	M	C		B2B
	Netherlands	1	Q	33	188	B2All
	Poland	1				
	Slovenia	1	M, Q	16	49	B2B
	Spain	1	Q	21	300	B2All
	Sweden	1	Q	9	23	B2B
	UK	1	Q	34	200	B2B
	USA	1	M	C	150	B2All

5. Summary and Further Suggestions

Courier activity generally involves many competitors. However the industry is well concentrated. According to the survey among VG countries carried out in 2010 a few enterprises account for dominant share of all turnover revenue. The smallest enterprises usually provide specialized services, regional or local delivery and contract work for the dominant players.

It is worth noting that national post service providers that strongly resemble to “express services” provided by the courier industry, depresses overall courier market prices. The National Post services have traditionally been supplied by a monopoly, however this situation has changed in many countries through the total or partly liberalisation of the postal market.

Considering services, have became more proficient at segmenting the market based on costs and efficiencies.

Prices in this industry are relatively stable and large increases generally take place only at the beginning of each year, when the leader companies create their new rate structures. In addition to the above, prices are also depending on fluctuating of fuel surcharges.

Nevertheless, interviews with respondents, reading market reports, appropriate contacts with industry associations are essential in developing of comprehensive observation system to produce a good quality index.

ISIC Rev 4 code 5320

Hierarchy

- Section: H - Transportation and storage
- Division: 53 - Postal and courier activities
- Group: 532 - Courier activities
- **Class: 5320 - Courier activities**

Explanatory note
This class includes courier activities not operating under a universal service obligation.

This class includes:
- pickup, sorting, transport and delivery (domestic or international) of letter-post and (mail-type) parcels and packages by firms not operating under a universal service obligation. 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.
- distribution and delivery of mail and parcels

This class also includes:
- home delivery services

This class excludes:
- *transport of freight, see (according to mode of transport) 4912, 4923, 5012, 5022, 5120*

ISIC Rev.3 code 6412

Hierarchy

- Tabulation Category: I - Transport, storage and communications
- Division: 64 - Post and telecommunications
- Group: 641 - Post and courier activities
- **Class: 6412 - Courier activities other than national post activities**

Explanatory note
This class includes the pick-up, transport and delivery of letters and mail-type, usually small, parcels and packages. One or more modes of transport may be involved and the activity may be carried out with either self-owned (private) transport media or via public transport.

Exclusions: All postal activities carried out by the National Postal Administration are classified in class 6411 (National post activities).

CPA 2008

53.20.11	Multi-modal courier services		This subcategory includes: - collection, transport and delivery services, whether for domestic or foreign destinations, for letters, parcels and packages, as		This subcategory excludes: - messenger delivery services other than those by bicycle couriers, see

			rendered by courier and using one or more modes of transport, other than those rendered under a universal service obligation. These services can be provided using either self-owned or public transport media. Included are the messenger services of bicycle couriers.		53.20.19
53.20.12	Food home delivery services				
53.20.19	Other postal and courier services n.e.c.		This subcategory includes: - local delivery services of purchases, except food - local delivery services by freight taxis		This subcategory excludes: - courier services including messenger services of bicycle couriers, see 53.20.11

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492 Couriers and Messengers

Industries in the Couriers and Messengers subsector provide intercity and/or local delivery of parcels and documents (including express delivery services) without operating under a universal service obligation. These articles can be described as those that may be handled by one person without using special equipment. This allows the collection, pick-up, and delivery operations to be done with limited labor costs and minimal equipment. Sorting and transportation activities, where necessary, are generally mechanized. The restriction to small parcels partly distinguishes these establishments from those in the transportation industries. The complete network of courier services establishments also distinguishes these transportation services from local messenger and delivery establishments in this subsector. This includes the establishments that perform intercity transportation as well as establishments that, under contract to them, perform local pick-up and delivery. Messengers, which usually deliver within a metropolitan or single urban area, may use bicycle, foot, small truck, or van.

492110 Couriers and Express Delivery Services

This industry comprises establishments primarily engaged in providing air, surface, or combined mode courier and express delivery services of parcels, but not operating under a universal service obligation. These parcels can include goods and documents, but the express *delivery services are not part of the normal mail service. These services are generally between metropolitan areas or urban centers, but the establishments of this industry form a network that includes local pick-up and delivery to serve their customers needs*

492210 Local Messengers and Local Delivery

This industry comprises establishments primarily engaged in providing local messenger and delivery services of small items within a single metropolitan area or within an urban center. These establishments generally provide point-to-point pickup and delivery and do not operate as part of an intercity courier network

ANZSIC

7112 Courier Services

This class consists of units mainly engaged in the express door-to-door pick up, transport, and delivery of letters and mail-type articles, usually packages and small parcels. The activity may involve the use of one or more modes of transport which may be privately or publicly owned.

Exclusions / References

Units mainly engaged in

(a) other ordinary private sector parcel delivery services are included in the appropriate classes in Division I Transport and Storage; and

(b) ordinary (non-express) post office parcel delivery services are included in Class 7111 Postal Services.

Primary Activities

Customised express pick up and delivery service; Messenger

It can already be noticed that the new ISIC rev4 introduced a significant change in the perimeter of the activity in the sense that the definition refers no longer to the fact that the activity is consistent with National Postal services, but now the fact that postal operations are conducted as part of the Universal Service, which was not previously the case.