Mini-presentation

SPPI for Postal Activities under Universal Service Obligation (USO) In Hungary

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Hungary
Content

- Introduction;
- Market conditions;
- Definition of the service;
- Classification in EU;
- Pricing unit of measure;
- Pricing methods;
- Quality adjustment;
- Evaluation of Comparability;
- Summary.
Postal services **USO** are traditionally
✓ **state-owned**;
✓ **vertically integrated** and;
✓ **public regulated**.

**Liberalization** of the postal industry;
✓ ~95% of letter mail was **fully opened** to competition in 2011;
✓ **Hungary in 2013**, is also **liberalising** the respective postal markets.
Industry is **dominated by one enterprise**, (Hungarian National Post Office);

- **Confidentiality rules**, the statistics, including **SPPI data for postal services (USO)** are not published;

- **Data are available** at the division level (53) Postal and courier activities;

- **Effects of globalization.**
Description of the industry

Postal activities under USO

- Use of the **universal service infrastructure**;
- Also included are other **activities necessary to support the USO**.
Effect of globalization

- International agreements between National Post Offices (USO);
- Courier companies are establishing alliances with companies abroad, in order to improve the international delivery of letters and parcels.
Description of the service

Postal activities under USO

- Operations are related to printed papers (newspaper, periodicals, advertising items, etc.), the collection of documents, letters, small packets and delivery to the required destination, the counter services and other postal services (e.g. mailbox rental services).

- Services are provided for business clients as well as for households.
Definition of the service

NACE Rev.2 /CPA 2008

Activities related to the Postal services (USO) are concentrated in:
section “H” Transportation and storage services;
division “53” Postal and courier activities.

Industry Classification

- 53  Postal and courier activities;
- 53.10 Postal activities under universal service obligation;
- 53.20 Other postal and courier activities.
Definition of the service

Class **5310** includes:

- Pickup, sorting, transport and delivery of letters and parcels and packages by postal services operating under an USO.
- Collection of letter-mail and parcels from public letter-boxes or from post offices.

Class **5320** includes:

- Pickup, sorting, transport and delivery of letters and parcels and packages by firms operating outside the scope of a USO.

**This class also includes:**
- Home delivery services.
Differences between postal services (USO) and courier activities

- On the one hand, national post services have specific characteristics (USO) determined by regulation.
- On the other hand, couriers can offer ‘tailor-made’, door to door services according to the market conditions.
Companies are offering logistic, storage and freight transport services to their customers.
Product Classification

**CPA’08**

53.10.11 Postal services under USO related to newspapers and periodicals
53.10.12 Postal services under USO related to letters
53.10.13 Postal services under USO related to parcels
53.10.14 Post office counter services
53.10.19 Other postal services under USO
NACE Rev 2 / TEÁOR’08 (the statistical classification of economic activities in the European Communities / in Hungary).

CPA’08 / TESZOR’08 (the European/ Hungarian Classification of Products by Activity).

CPA’08 is fully harmonized with NACE Rev.2. Namely, from the 6 digits (XXXX.XY) the first four are the same as those for the NACE Rev. 2.

5310.XX

Nace Rev. 2
Special conditions

The Turnover structure

- **Main activity + secondary activities** – enterprises with more than 19 employees;
- **Domestic + non-domestic/export** (by residency) – enterprises performing dual accounting;
- **B-B** (business to business: total industrial turnover except households) + **B-C** (business to consumer) – enterprises with more than 19 employees;
- **data from survey + administrative data** (e.g. for enterprises with less than 5 employees) + **imputation of data** (concerning missing data).
Special conditions

SPPIs

✓ Industry-based vs. product-based SPPI (deflator) data;
✓ Business to business vs. business to all SPPI;
✓ Split of the total SPPI: domestic + export.
Size of the industry

GDP share, 2011

Turnover share, 2011
<table>
<thead>
<tr>
<th>NACE REV. 2</th>
<th>Number of employees</th>
<th>Turnover</th>
<th>Value-added at factor cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>capita</td>
<td>%</td>
<td>(Million HUF)</td>
</tr>
<tr>
<td>H Transportation and storage</td>
<td>219 821</td>
<td>100,0</td>
<td>3 640 121</td>
</tr>
<tr>
<td>53== Postal and courier activities</td>
<td>39 254</td>
<td>17,9</td>
<td>240 968</td>
</tr>
<tr>
<td>531= Postal activities (USO)</td>
<td>34 909</td>
<td>15,9</td>
<td>191 932</td>
</tr>
<tr>
<td>532= Other postal and courier activities</td>
<td>4 345</td>
<td>2,0</td>
<td>49 036</td>
</tr>
</tbody>
</table>

Source: website of the HCSO
Definition and scope of SPPI

European STS Regulation (1158/2005/EK)

Variable: 310 Output prices for services
show the price development for services delivered to customers that are enterprises or persons representing enterprises.

➢ Domestic and non-domestic services are monitored;
  (according to the destination of the product).
In general includes observation of services sold outside of the domestic market (export?), but,

The monitoring of export prices for Post and courier activities seems to be difficult (see paper on Turnover for postal activities).

Both B-B and B-All SPPIs are published.
What are the main challenges?

- **Inconsistency** of turnover data regarding different sources: SBS, foreign trade statistics, TAX data

- Different interpretation of the concept of *export / international trade*
  (Statistical Office, Tax Office, data suppliers)
Record keeping practice

- Statistical survey;
- Supply of data is compulsory;
- Price data are collected quarterly;
- Questionnaire by electronic data collection;
- Source of information: Business Register;
- Reporting units: enterprises;
- SPPI observation system: industry-specified;
- Primarily product-based approach;
- Primarily B-B approach;
- Producing both B-B and B-C indices.
Weights

- For aggregation of the higher level indices: SBS turnover data from 2 years prior to the actual year.

  The indices are chain linked with annually up-dated weights.

- For aggregation of lower level SPPIs of companies: product type of turnover data 1 year prior to the actual year collected by the SPPI survey.
## Pricing unit of measure

<table>
<thead>
<tr>
<th>Classification Name of the service</th>
<th>Code CPA/group</th>
<th>Unit of measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic letter up to 30 grams (non-priority)</td>
<td>5310.12/XXX1</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Domestic letter 30-50 grams (non-priority)</td>
<td>5310.12/XXX2</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Service for registered mail</td>
<td>5310.12/XXX3</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Service for returned receipt for letter</td>
<td>5310.12/XXX4</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Foreign letter up to 2 kg (non-priority)</td>
<td>5310.12/XXX5</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Direct mail up to 30 grams</td>
<td>5310.12/XXX6</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Direct mail 31-50 grams</td>
<td>5310.12/XXX7</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Direct mail 51-500 grams</td>
<td>5310.12/XXX8</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Official documents, other</td>
<td>5310.12/XXX9</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Domestic standard package</td>
<td>5310.13/XXX1</td>
<td>FT/mail</td>
</tr>
<tr>
<td>Service for returned receipt for package</td>
<td>5310.13/XXX2</td>
<td>FT/mail</td>
</tr>
</tbody>
</table>
The main pricing methods used in Hungary concerning postal services (USO)
✓ „unit value” method

Concerning other postal and courier services
✓ „contract pricing” and
✓ „direct use of prices of repeated services”

- Postal contract prices with big and representative customers: prices for some types of letters or types of parcels from A to B, within a period set (day +1, day +2);
- Average prices (per kg, per letter, per parcel in any weight given, 5-10 kg) within a period set, from a point A to a part of the world B (European countries, US, Asia, North Africa…);
✓ „Direct use of prices of repeated services” is also used.
  „CPI’s as proxies for SPPIs”
Use CPIs as proxies

Use of CPI / HICP data (SPPI Guide, draft)

- Can be considered as special case of „direct use of prices of repeated services”;  
- Needs to adjust CPI / HICP data (valuated at purchasers’ prices, to basic prices);  
- Should assume that prices for businesses and households move in a similar trend with a similar composition of consumption.
Price determining factors

- 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.);
- additional criteria (type of packaging; insurance or registered/special delivery).

Price = Base rate + surcharges (fuel+ other)
SPPIs (B-B) for transportation and storage services in Hungary 2007-2012 (2006=100)
Treatment of the missing data

✓ Postal and courier services are defined by relative stable characteristics.

✓ The main method used is overlapping (new and old services are generally sold simultaneously).

✓ Averages of the similar categories or higher level aggregations are also applied.

Data validation process, checking

✓ Consistency between related statistics;

✓ Cooperation with data suppliers.
Comparability

Consistency / Inconsistency

*between turnover and price data*

- **Different deadlines** for dissemination of results (Turnover, SPPI, GDP and future ISP);
- **Limited quality of the structure of the total turnover/output** (by products: main activity, secondary activities; employment size: sample, other data sources; type of client: B-B, B-All; by residency: domestic, non-domestic client);
- **Valuation of the domestic vs. non-domestic market.**
Price indices for postal and courier services in Hungary, 2012 (2011=100)
Yearly SPPIs for Postal and courier activities (B-All) in the European Union, 2012
(2011=100)
Summary

The main characteristics of the Hungarian postal and courier industry

- High level of concentration;
- Dominance of the National Post;
- Industry is highly regulated;
- In 2013 Hungary is liberalising the respective postal markets;
- B-B and B-All SPPIs are produced;
- Actually product-based “53” and “5320” indices are published on HCSO website;
- “5310” for postal services (USO) is not available (confidentially rules);
- Industry-based SPPIs are under development.
Thank you for attention!

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