Mini-presentation

*Turnover for Postal Activities under Universal Service Obligation In Hungary*

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Hungary
Content

- Introduction;
- Description of the industry;
- Definition of the service;
- Classification in EU;
- Market conditions and constraints;
- Quality adjustment;
- Comparability of value measures;
- Summary.
Introduction

- **Liberalization** of the postal industry;
- In the European postal market
  *In 2011 fully opened to competition*;
  (~ 95% of letter mail was by the guidelines of the Third Postal Directive);
- In 2013, a significant *number of countries including Hungary are also liberalising* their respective postal markets
  (a later deadline for the postal market opening was granted to these countries).
Description of the industry

Postal activities under USO

- The market is dominated by a single producer.
- Use of the universal service infrastructure, including retail locations, sorting and processing facilities, and carrier routes to pickup and deliver the mail.
- Also included are other activities necessary to support the USO.
Postal services **USO** are traditionally provided by **state-owned, vertically integrated and public regulated** operator.

The **USO** is determined by the European Commission as the obligation for postal operators **to ensure to every citizen** at least one delivery and collection of mail five days a week, at affordable prices throughout the territory.
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” under division “53”, which includes two classes.

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 (domestic or international) of letter-post and (mail-type) parcels and packages by postal services operating under an USO. 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;

- Collection of letter-mail and parcels from public letter-boxes or from post offices.
Definition of the service

Class 5320 includes:
- Pickup, sorting, - transport and - delivery (domestic or international) of letter-post and (mail-type) parcels and packages by firms operating outside the scope of a USO. 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.

This class also includes:
- Home delivery services.
Differences

Differences between postal services (USO) and courier activities

- On the one hand, national post services have very specific characteristics (USO) determined by regulation.

- On the other hand, couriers can offer ‘tailor-made’ services according to the market conditions, signing contracts with their clients. Companies are offering logistic, storage and freight transport services to their customers.
### Differences

#### Industry classification

<table>
<thead>
<tr>
<th></th>
<th>ANZSIC</th>
<th>ISIC 4.0</th>
<th>NACE Rev2</th>
<th>NAICS 2007</th>
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<tbody>
<tr>
<td><strong>general</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>711: Postal and Courier Services</td>
<td>Division: 53 - Postal and courier activities</td>
<td>53 Postal and courier activities</td>
<td>492 Couriers and Messengers</td>
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<td>53.10 Postal activities under universal service obligation</td>
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<td>7112 Courier Services</td>
<td>Class: 5320 - Courier activities</td>
<td>53.20 Other postal and courier activities</td>
<td>492110 Couriers and Express Delivery Services</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>492210 Local Messengers and Local Delivery</td>
</tr>
</tbody>
</table>

10. 10. 2013

VG, SPPI on Postal activities
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
## Differences

### Product classification

<table>
<thead>
<tr>
<th></th>
<th>ANZSPC</th>
<th>CPC ver 2</th>
<th>CPA 2008</th>
<th>NAPCS ver 0.1</th>
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<td>Division: 68 - Postal and courier services</td>
<td>53 Postal and courier services</td>
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<td><strong>detail:</strong></td>
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<tr>
<td>6801 Postal services</td>
<td></td>
<td></td>
<td></td>
<td>53.10 Postal services under universal service obligation</td>
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<tr>
<td>6802 courier services</td>
<td></td>
<td></td>
<td></td>
<td>53.20.11 Multi-modal courier services</td>
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<tr>
<td></td>
<td>This item does not include:</td>
<td></td>
<td></td>
<td>53.20.12 Food home delivery services</td>
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<tr>
<td></td>
<td>- messenger delivery services</td>
<td></td>
<td></td>
<td>53.20.19 Other postal and courier services n.e.c.</td>
</tr>
</tbody>
</table>
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
Market conditions and constraints

- Industry is **dominated by one enterprise**, (Hungarian National Post Office);
- **Confidentiality rules**, the statistics, including Turnover data for postal services (USO) are not published;
- **Data are available** at the division level (53) Postal and courier activities;
- **Effects of globalization.**
Size of the industry

Macroeconomic indicators in Hungary at the level of the national economy, section H, 2010

<table>
<thead>
<tr>
<th>%</th>
<th>GDP</th>
<th>Gross output</th>
<th>Number of enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.5</td>
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<tr>
<td>5.0</td>
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<td>4.5</td>
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<td>4.0</td>
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<tr>
<td>3.5</td>
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<td>1.5</td>
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<td>1.0</td>
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<tr>
<td>0.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.0</td>
<td>H Transportation and storage</td>
<td>H 53 Postal and courier activities</td>
<td></td>
</tr>
</tbody>
</table>
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).
### Annual structural indicators by NACE Rev. 2

**Enterprises classified in national economic division H 53**

<table>
<thead>
<tr>
<th>(2010. year)</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
# Annual structural indicators by size class

Turnover of enterprises classified in national economic division H 53

<table>
<thead>
<tr>
<th>Size class</th>
<th>53== Postal and courier activities</th>
<th>531= Postal activities under (USO)</th>
<th>532= Other postal and courier activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Size in million</td>
<td>%</td>
<td>Size in million</td>
</tr>
<tr>
<td>Total Size class</td>
<td>240 968</td>
<td>100,0</td>
<td>191 932</td>
</tr>
<tr>
<td>1-9 employees</td>
<td>11 714</td>
<td>4,9</td>
<td>485</td>
</tr>
<tr>
<td>10 to 19 employees</td>
<td>3 505</td>
<td>1,5</td>
<td>60</td>
</tr>
<tr>
<td>20 to 49 employees</td>
<td>3 640</td>
<td>1,5</td>
<td>221</td>
</tr>
<tr>
<td>50 to 249 employees</td>
<td>20 752</td>
<td>8,6</td>
<td></td>
</tr>
<tr>
<td>250 and more employees</td>
<td>~89,9</td>
<td></td>
<td>~99,9</td>
</tr>
</tbody>
</table>

Source: website of the HCSO
Record keeping practice

- Statistical survey; the supply of data is compulsory;
- Combination of survey data and administrative data;
- Turnover data are collected annually, quarterly or on a monthly basis;
- Questionnaire by electronic data collection;
- Source of information: Business Register;
- Reporting units: enterprises;
- Enterprises having 50 and more persons employed are observed by a full scope survey;
- Enterprises with 5-49 persons employed are observed by a sample survey (random stratified sampling);
- The data for enterprises having less than 5 persons employed are estimated from the tax data of the previous two years.
QUALITY ADJUSTMENT

Treatment of the missing data:
- data from other statistics;
- administrative data sources;
- averages of the similar categories or higher level aggregations.

Data validation process, checking
- completeness of quantity and value data;
- 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.
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.
**Definition of export**

The *destination* is determined by the *residency* of the third party that has ordered or purchased the product.

- **Domestic market:** as third parties resident in the same national territory as the observation unit.
- **Non-domestic market:** the opposite.
Example 1

1. delivery letters (parcels) from country A to the country B

<table>
<thead>
<tr>
<th>letter 1</th>
<th>price A: 2 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post A</td>
<td>Post B</td>
</tr>
<tr>
<td>contry A</td>
<td>contry B</td>
</tr>
<tr>
<td>Post A</td>
<td>Post B</td>
</tr>
<tr>
<td>3 Eur</td>
<td>addres B</td>
</tr>
<tr>
<td>customer A</td>
<td></td>
</tr>
<tr>
<td>frontier</td>
<td></td>
</tr>
</tbody>
</table>
II. delivery letters (parcels) from country B to the country A

- price: 1 EUR
- letter 2
- Post A
- country A
- Post B
- country B
- price: 3 EUR
- letter 2
- 4 EUR
- customer B
- Post A
- addres A
- frontier
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 the European postal market approximately 95% of letter mail was fully opened to competition in 2011.
- 2013 Hungary is liberalising the respective postal markets (since a later deadline for the postal market opening was granted to several countries including Hungary).
Thank you for attention!

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