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Dublin

Sector Paper on
Postal activities under
Universal Service Obligation (USO)

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Hungary
I. Introduction;
II. Classification;
III. Turnover statistics;
IV. Price statistics;
V. Summary.
Source of information

Sector Paper on Courier and messenger activities
(Gac, Holocsy, 2010)
Mini presentations, 2013

Turnover
✓ Eva-Marie Gustafsson, Sweden;
✓ Ildikó Hamvainé Holocsy, Hungary;
✓ Roberto Iannaconne, Italy.
✓ SPPI
✓ Eveli Sokman, Estonia;
✓ Christian Puchter, Austria;
✓ Ildikó Hamvainé Holocsy, Hungary.

Discussant remarks
✓ Derek Bird, United Kingdom

Session notes
✓ Christian Puchter, Austria
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;
- Many European countries have liberalised the respective postal markets since 2013.
Postal activities under USO

- The market is usually **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.**

**Evolving sector**

- Technological (sorting, logistics etc.);
- Cultural (switch from letters to parcels with email and e-commerce);
- New products (classification issues).
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.
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.
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.
Description 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**.
Classification

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 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

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<th>ANZSIC</th>
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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*
## Differences
### Product classification

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<td>53.20.19  Other postal and courier services n.e.c.</td>
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✓ **NACE Rev 2** (the statistical classification of economic activities in the European Communities)

✓ **CPA’08** (the European Classification of Products by Activity).

**CPA’08 is fully harmonized with NACE Rev.2.**

Namely, from the 6 digits (XXXX.YY) the first four are the same as those for the NACE Rev. 2.

5310.XX
Market conditions and constraints

 ✓ Industry is dominated by one enterprise; 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.

 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.
Special conditions

The Turnover structure

✔ Main activity + secondary activities – enterprises with more than 19 employees;
✔ 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);
✔ Domestic + non-domestic/export (by residency) – enterprises performing dual accounting.
Turnover
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.
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.
Industry-based vs. product-based SPPI (deflator) data;

Business to business vs. business to all SPPI;

Split of the total SPPI: domestic + export.

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).
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).
Generally, in European countries

- Supply of data is **compulsory**;
- Price data are collected **monthly/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** (B-All also exist);
- Producing both **B-B** and **B-C** indices.
SPPI
Pricing methods

The recommended pricing methodologies for Postal Services (USO)

- Contract pricing;
- Unit value method;
- Direct use of prices of repeated services;
- CPI’s as proxies for SPPIs.

- 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);
- Unit values/ 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…).
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)
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.
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-C, B-All; by residency: domestic, non-domestic client);

✓ Valuation of the domestic vs. non-domestic market.
The main characteristics of the postal and courier industry

- High level of **concentration**;
- **Dominance** by usually just **one enterprise** (National Post);
- Industry is **highly regulated**;
- **Liberalization**, the European postal market of letters mail was opened to competition in 2011;
- **Evolving sector** (technological, cultural, new products);
- **B-B (B-C) and/or B-All SPPIs** are produced (identification of B-B and B-C markets often difficult);
- Mainly product-based “**53**” and “**5320**” indices are published;
- **5310** for postal services (USO) is not available (confidentially rules);
- **Industry-based SPPIs** are under development;
- Well defined with no real classification issues (care needed to separate postal from other activities).
Thank you for attention!

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