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Producer price index for services

Courier services in the UK

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A Business Model

Courier services in the UK are classified to SIC 64.12 (Courier activities other than national post activities). This class includes pick-up, transport and delivery of letters and mail-type parcels and packages by firms other than national post. Either only one kind of transport or more than one mode of transport may be involved and the activity may be carried out with either self-owned (private) transport media or via public transport.

The UK courier services industry exists because there is a corporate need to deliver parcels, packages, letters and documents to a specific destination by a specific time using a secure method. Couriers are often used ahead of national postal services as they offer more convenience to the customer. Greater flexibility and control are achieved through guaranteed time delivery and item tracking capabilities.

UK couriers, due to the nature of their business, keep accurate customer records. This enables their activity to be split between domestic and corporate clients. The ONS estimates that about 95 per cent of courier services activity is generated by the corporate sector.

B Overview of Government Regulation

There is no specific legislation in the UK which directly affects the courier services industry.

C Pricing Methodology

The UK pricing methodology for courier services is divided into three main categories, depending on the nature of the business and the availability of price information. The preferred method of price collection is to measure periodic charges levied under a continuing contract for a given service. Where this is not possible, price quotations are either accepted based on list prices (discounted according to normal business practice) or based on a model contract (representative of the charges a business would make for a particular delivery). Each price quotation is accompanied by a clear definition of the service provided. This enables the identification of genuine price changes and the ability to distinguish between changes in specification and quality of service.

A random sampling scheme, stratified by employment sizeband, is adopted in order to collect price and turnover information from courier services businesses. The UK Inter-Departmental Business Register (IDBR) is used as the sampling frame. Business are asked to provide an estimate of their turnover derived from each of the following categories:

- UK same day delivery
- UK next day delivery
- UK other delivery
- EC same day delivery
- EC next day delivery
- EC other delivery
- Rest of world same day delivery
- Rest of world next day delivery
- Rest of world other delivery
- One-off contracts

When supplying prices and accompanying specifications according to the categories listed above, businesses are also asked to consider the following price-determining criteria:

- Nature of consignment (mail, documents, parcels, freight, etc.)
- Weight of consignment
- Destination of consignment (often geographical areas are divided into tariff zones)
- Timing/speed of consignment
- Special features (carriage of valuable consignments or hazardous material)
- Mode of transport (which affects timing/speed)
- Insurance of consignment (sometimes included sometimes optional extra)

D/E Published Data

The courier services industry was introduced into the CSPI in the third quarter of 1995. Since inception, its index value has risen steadily over time, as depicted in the following graph.

