

Voorburg Group 2005 - Helsinki

APPENDIX:

**THE PPI FOR COURIER SERVICES
IN THE NETHERLANDS**

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Producer Price Index for Courier Services in the Netherlands

A. Business model

Post and courier services are categorised in the European Classification of Product by Activity (CPA) 641 whereby courier services belongs to CPA 6412. From 1994 until 2003 price indices of courier services were compiled together with the PPI for Road Haulage, but since 2003 courier services are excluded from this survey. A separate PPI for courier services has been developed since the third quarter of 2004.

The turnover of courier services counts for 1,3 billion Euro in 2002. There are over 3000 companies of which about 95% are categorised as small (less than 10 employees). These companies represent 24% of total turnover. The four biggest companies are responsible for 55% of total turnover.

Because 95% of total turnover comes from business customers, households are neglected in the PPI for courier services.

B. Government regulation

Courier companies have to stick to a lot of rules established by the government. For example the labour time law, the law for Road Haulage, the law for road traffic and the law for transport of hazardous materials. Another example is the transport license that is necessary for vehicles with a load capacity of more than 500 kilogram. Starting in 2007, a license is obligatory for a load capacity of more than 3500 kilogram. The consequence may be a move in types of transport which may affect the price.

Also taxes may have an influence on the market. An example is the "Oort"¹ payment. Private persons offer courier services at cost price. The tax free payment (per kilometre) from the customer may be higher than the costs for the courier services. When this is the case, taxes will still be charged by the government. The tax free payment per kilometre has recently been reduced. The consequence may be that less private persons offer courier services because they can't make any profits.

C. Pricing methodology

Classification and sample design

Courier companies may be active in the following services:

1. Courier services
2. Express services
3. Parcel services

The difference between these services is determined by speed, weight and geographical area; see table 1. Small companies are mainly active in courier services while big companies produce all three kinds of services but are focussed on one of the three.

¹ Oort payment is the tax free payment per kilometre for travel expenses

Table 1. Variables that determine kind of service

	Speed	Weight	Geographical area
Courier services	Fast	Limited weight	Local/regional
Express services	Moderately fast	Limited weight	International
Parcel services	No time pressure	Very limited weight	National

As a result of information and data obtained from the industry itself a list of main price-determining characteristics is compiled; see table 2.

Table 2. Main price-determining characteristics of courier services.

1.	Speed
2.	Distance
3.	Geographical area
4.	Weight
5.	Regular versus incidental customer
6.	Product mix
7.	Size of parcel
8.	Amount of stops
9.	Insurance
10.	Labour
11.	Fuel

It was planned to base the aggregation structure on two variables, speed and geographical area. Because of the lack of weighting information on different kinds of speed and the relatively small sample size, the aggregation structure is only based on geographical area. Besides total courier services, national and international courier services are published.

We aimed at stratifying the population into strata that are as homogeneous as possible in their price development. Therefore three strata are defined. The first stratum contains small companies (2-19 employees). Medium-sized firms (20-99 employees) are classified in the second stratum and large firms fall into the third stratum (100 employees and more).

Surveyed price information

Courier companies determine the prices in different ways. Sometimes the customer and the courier company make a contract which contains a mixture of different services whereby the price is dependent on the mixture of the services. Most turnover from large courier companies is due to such contracts. Small companies produce standard services whereby the price often depends on the distance and results in a price per kilometre. Regular customers get a discount but this is a predetermined part of the list price. All courier companies can state a price per delivery; therefore, **the delivery is the basic unit** for which price information is surveyed.

Prices from large courier companies are surveyed by using models of contracts. This means that the contracts are fictitious and based on representative services. Each service in the product mixture described in the contract is surveyed separately. For smaller companies models are also surveyed of representative services. In contrast with large companies the mixture of the products doesn't influence the price movement. If model prices can't be surveyed at small companies list prices are monitored. List prices are a good alternative for surveying services of small customers that ask for standard sized parcels.

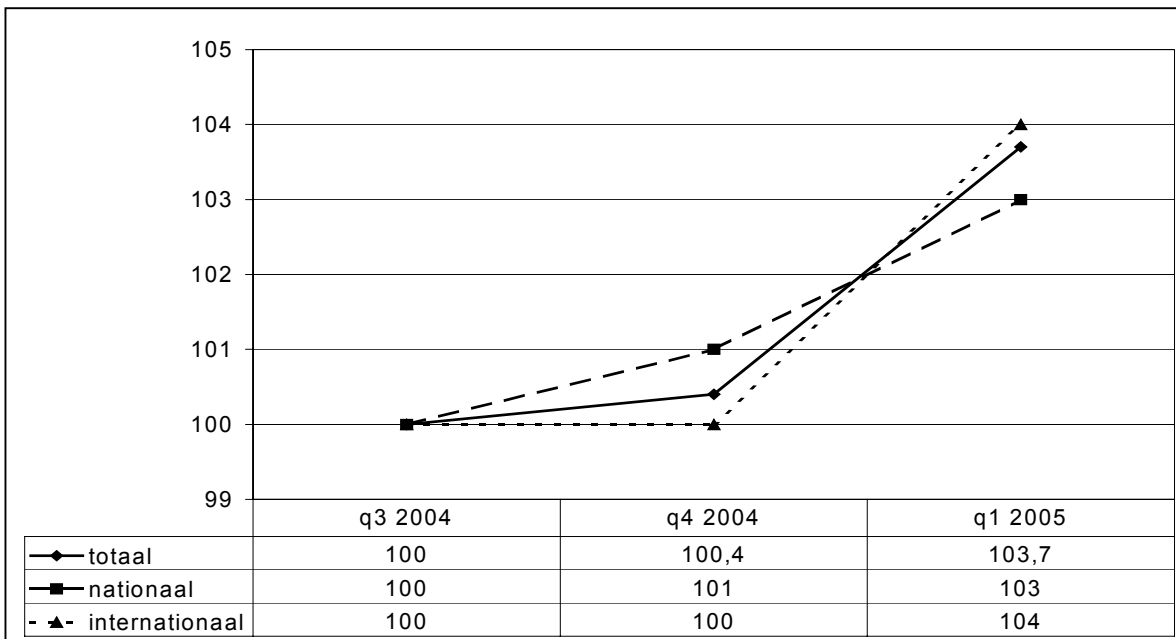
The frequency of observation is set at 4 times a year. Many large couriers revise their prices once a year, usually in the first quarter.

D. Limitations/concerns about published data

1. Courier companies outsource a part of their deliveries to other courier companies (subcontracting). These deliveries are not surveyed in the PPI because it is very difficult to separate these deliveries from the deliveries to “not courier companies”. National accounts prefer a PPI without subcontracting and if possible a separate PPI for subcontracting.
2. Besides outsourcing a number of courier companies are engaged in trading. These companies are comparable to brokers but are ignored in the survey.
3. The general problem with model prices is that the price that is filled in for a specific service is dependent on the person that fills in the form. Another general problem that comes with model prices is that new services are possibly not detected.

E. Analysis of published data

Graph 1. PPI for courier services from the 2004 q3 until 2005 q1; 2004 q3=100.



The survey started in 2004 q3. National and international courier services have the same weight in the total price index for courier services because the turnover is the same. The price movement in the fourth quarter of 2004 compared to the third quarter of 2004 is minimal. Most companies raise their prices once per year (in January) which can be seen in Graph 1. The prices have gone up with more than 3 percent for total courier services. Furthermore, international courier services didn't show any price movement in the fourth quarter of 2004, but in the first quarter of 2005 the price development is much higher than the price development of national services. A possible cause may be the toll collection in Germany that has been implemented in January 2005 whereby prices may have risen for 10 ton vehicles.