ESTP course on
"Output Prices for Services (SPPI) – Practices and Implementation"
Luxembourg, Jean Monnet Building
16-19 October 2006

6024 Freight transport by road

Main Issues

- Defining the service ⇨ classification

- Defining the transaction ⇨ quality change

- What prices *can* we collect? ⇨ pricing methods

Defining the service ⇨ classification

Classic definition

↓

'Moving X from point A to B under terms

Y (time, condition) for a price P'

↓

Pure <u>service</u> and pure <u>price</u>

Defining the service ⇨ classification

- But what about,
  - Freight forwarding,
  - Cargo consolidation, management and handling,
  - Stock control and re-ordering,
  - Dealing with documentation,
  - Storage and warehousing,
  - Courier services,
  - Negotiating return loads for clients' own transport,
  - Transport consultancy services, etc.,

Defining the service ⇨classification

What is the 'new' service? (bundling)

⇨ Problems comparing 'classic' with 'new' services

⇨Sampling and classification issues, how do we get a clean frame and weights?

⇨ Getting respondents to cooperate

⇨'We offer transportation _solutions_'

Defining the service ⇨classification

- <u>Subcontracting as an issue:</u> frequent in the industry. It is often excluded from price collection.

Defining the transaction ⇨ quality change

- Select representative products transported

  ⇨ quality-adjust a change in product if needed (e.g. liquids to general freight)

- Controlling for characteristics

  ⇨ Size and type of vehicle, nature and weight of cargo, distance of journey and/or destination, time criteria for delivery, domestic or export, category, etc

Defining the transaction ⇨ quality change

- Selecting representative products and transactions over time imply increased response burden.

- How much can you control for and what 'leaks' out into the pricing?

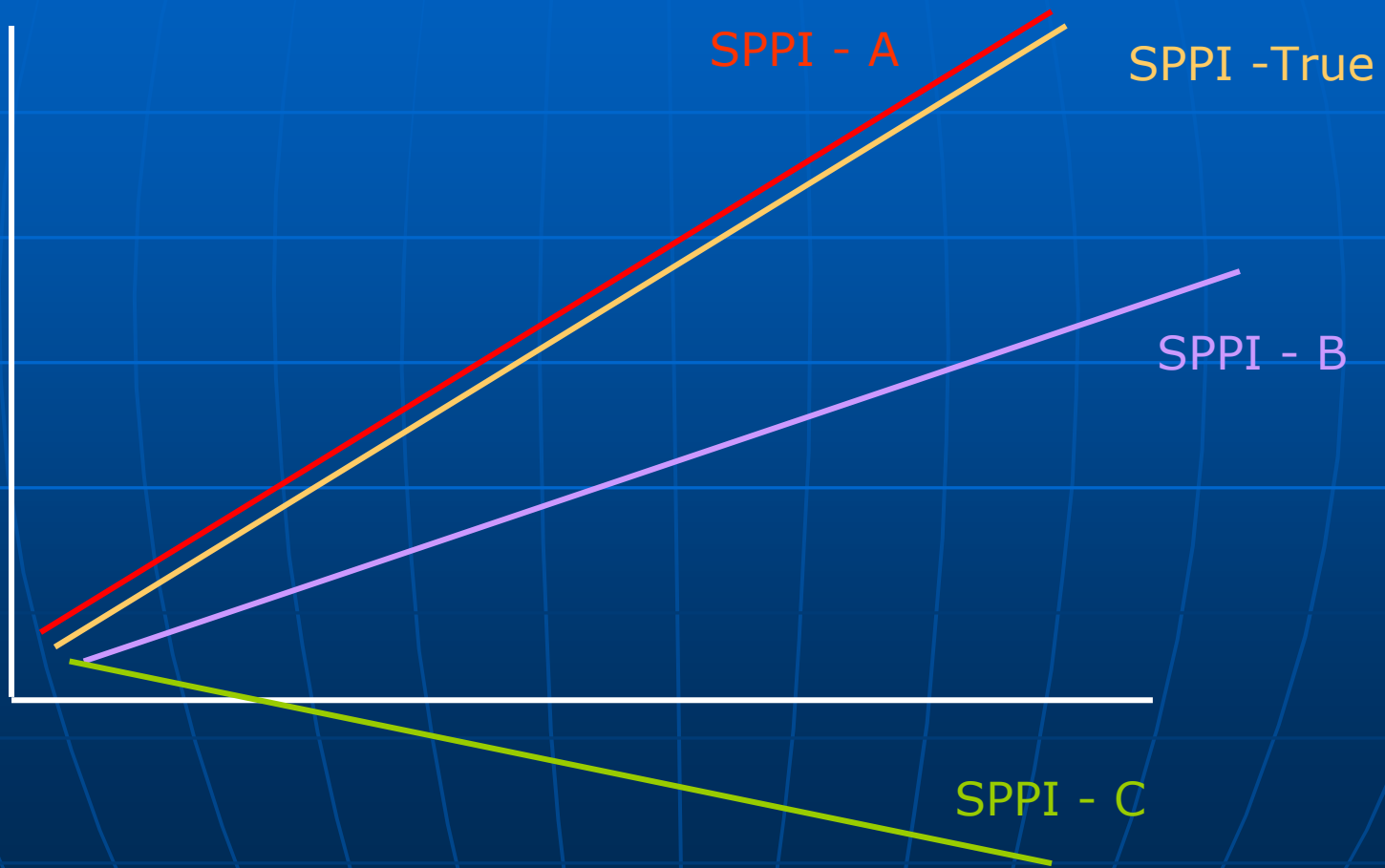- What are you comparing over time and how do you quality adjust?

Remarks

- SNA
  - V = P x Q

For deflation,

  - What is P, what is Q?
    - Sampling the same units and activity.

  - What frequency is P (qtly price?)
  - What frequency is Q?

SPPI Quality – Thoughts

SPPI Quality – Thoughts

- SPPI–A: Grade "A". Close approximation to the "True" index. Trend in the same direction <u>and</u> same slope.

- SPPI–B: Grade "B". Weaker approximation to the "True" index. Trend in the same direction <u>but</u> slope is quicker/slower.

- SPPI–C: Grade "C". Not even close. Trend in the opposite direction <u>and</u> slope is quicker/slower.

SPPI QF

- ABS 92.5

- FSO 95 81.25

Key Issues

- Industry vs. product
  - Role in the development of country SNA
  - Desirable to develop separate turnover by product detail and separate price indexes for important secondary products (warehousing, storage & packaging
  - Difficulty in constructing frame for products
  - Aggregation, Total industry (domestic & exports) vs. total domestic
- Scope
- Transaction pricing is feasible?
  - Contract pricing
- SPPI for SNA or for inflation?
  - Deflators, product groups
- Total availability in turnover

- Turnover for the SNA or other users?

- Quality adjustment is not complex issue?
  - Comparison with hourly wage rates.
- Data sources for turnover
  - Alternatives (see FSO), go up or down levels
  - Definition of turnover (what should we include?) movement of goods from A to B by road
  - Trade in services

- Alignment of prices and turnover
  - Different frequencies, classifications universes and missing variables or data.

- Bundling

- Response burden tradeoff for quality of index?

- Spot market vs. regular market
  - Methodology for treating