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SPPI for Postal Activities under Universal Service Obligation

In Estonia

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Introduction

The Statistics Estonia is calculating Service Producer Price Index (SPPI) for postal activities under universal service obligation.

This paper provides a brief overview of methodological framework of the SPPI for NACE Rev. 2 group 53.1 „Postal activities under universal service obligation“.

This paper will be presented in the 28th meeting of the Voorburg group in Tokyo.

Definition of service being priced

The NACE Rev.2 description for the group 53.1 and class 53.10 are very close. The group 53.1 includes the activities of postal services operating under a universal service obligation by one or more designated universal service providers. The activities include use of the universal service infrastructure, including retail locations, sorting and processing facilities, and carrier routes to pickup and deliver the mail. The delivery can include letter-post, i.e. letters, postcards, printed papers (newspaper, periodicals, advertising items, etc.), small packets, goods or documents. Other services necessary to support the universal service obligation are also included.

This class includes pickup, sorting, transport and delivery (domestic or international) of letter-post and (mail-type) parcels and packages by postal services operating under a universal service obligation. 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 excludes postal giro, postal savings activities and money order activities (64.19).

There are no sub-classes.

Pricing unit of measure

In Estonia the universal postal services (UPS) prices are regulated by legal acts. Pricing unit of measure is letter or parcel with detailed specification.

Market condition

According to the amendment of Postal Act Estonian postal market opened on 1 April 2009.

The opening meant above all that a barrier to service providers to provide certain services was abolished. It had been regulated previously that only the UPS provider may forward domestic letters of up to 50 grams as ordinary items. Other postal service providers were allowed to do it if charge taken from the user of postal services was equal to or higher 2.5 times the charge established regarding the lowest weight category of letters by the universal postal service provider.

A license is required for the provision of the following postal services:

- 1) universal postal service;
- 2) forwarding of items of correspondence in the form of ordinary, registered, insured and bulk postal items;
- 3) forwarding of postal packages in the form of ordinary, registered, insured and bulk postal items.

Separate licenses shall be applied for the domestic and cross-border inbound and outbound provision of each postal service specified in clause 2) and 3).

A license for the provision of the universal postal service shall be issued to only one person. No license shall be required for the forwarding of periodicals, direct mail and courier items.

The Competition Authority shall issue a license for the provision of universal postal service and for other postal services requiring a license for five years.

The use of other service provider postal network is prescribed in the new postal law. For a small country it is not efficient to build up several postal networks.

The Authority organised a public procurement procedure in 2009 to find a USP service provider. The USP provider for a 5 years period is Estonian Post Ltd.

Since 1 April 2009 until 31 December 2009 only 3 enterprises had license for provision above-mentioned postal services. In 2012 had licenses 2 enterprises.

Pursuant to the Postal Act only one enterprise correspond to the definition “universal service obligation” (USO) in Estonia.

Today the USO provider is Estonian Post Ltd. Estonian Post Ltd offers nearly 90 types of services. In addition to USO (including UPS) the enterprise offers traditional postal office services also courier, warehouse and transportation services. The new services like the skilled connection of parcel locker, post office and courier network (Post24 parcel locker network). Fast development is made in e-services like e-invoicing, software solutions and hybrid mail services.

Estonian Post Ltd with its 2447 employees is one of the largest enterprises in Estonia. Postal network is covering whole Estonia. At the end of 2012, 364 post offices operating under trademark of Eesti Post. The Post24 parcel locker network includes 114 parcel terminals in 2012.

Table 1 shows the UPS volume changes during the five years period.

**Table 1. UPS volume in 2008-2012
(pieces)**

Service	2008	2009	2010	2011	2012
Domestic market					
Ordinary letter	44 492 559	24 143 266	6 517 976	5 971 749	4 711 614
Registered letter	2 191 721	1 679 754	953 321	615 685	385 525
Insured letter	2 084	1 470	2 803	2 255	910
Registered parcel	1 889 552	387 441	65 459	53 160	55 793
Insured parcel	162	204	124	2 255	120
International market					
Ordinary letter	7 787 627	6 413 667	5 900 662	5 282 817	4 679 138
Registered letter	486 641	461 205	429 071	443 589	545 966
Insured letter	372	1 478	1 765	1 204	1493
Registered parcel	156 681	129 094	142 059	138 935	160 034
Insured parcel	4 292	2 896	3 453	2 740	2043
Total	57 011 691	33 220 475	14 016 693	12 514 389	10 542 636

Classification Structure

The Estonian Statistical Classification of Economic Activities (EMTAK 2008) corresponds with NACE Rev. 2.

The Estonian Classification of Products and Services (TTK 2008) corresponds with CPA 2008. There is discrepancy with CPC Rev 2 which shows postal services under universal service obligation related to letters together with newspapers and periodicals (code 68111).

EMTAK 2008	Description
53	Postal and courier activities
53.1	Postal activities under universal service obligation
53.10	Postal activities under universal service obligation
	This item includes: This class includes the activities of postal services operating under a universal service obligation by one or more designated universal service providers. The activities include use of the universal service infrastructure, including retail locations, sorting and processing facilities, and carrier routes to pickup and deliver the mail. The delivery can include letter-post, i.e. letters, postcards, printed papers (newspaper, periodicals, advertising items, etc.), small packets, goods or documents. Also included are other services necessary to support the universal service obligation.
	This class includes:
	- pickup, sorting, transport and delivery (domestic or international) of letter-post and (mail-type) parcels and packages by postal services operating under a universal service obligation. 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 item excludes:
	- postal giro, postal savings activities and money order activities, see 64.19

CPA 2008	Description
53	Postal and courier activities
53.1	Postal activities under universal service obligation
53.10	Postal activities under universal service obligation
53.10.1	Postal services under universal service obligation
53.10.11	Postal services under universal service obligation related to newspapers and periodicals
53.10.12	Postal services under universal service obligation related to letters
53.10.13	Postal services under universal service obligation related to parcels
53.10.14	Post office counter services
53.10.19	Other postal services under universal service obligation

Evaluation of standard vs. definition and market conditions

The Estonian SPPI for group 53.1 includes Universal Postal Services (UPS). The Universal Postal Service comprises the following domestic and cross-border postal services:

- Delivery of ordinary, registered and insured letters weighting up to 2 kg (up to 100 addressee at the same time)

- Delivery of registered and insured parcels weighting up to 20kg (up to 25 addressee at the same time).

The service description includes different weight groups and dimensions of postal items (letters and parcels). Cross-border postal items have a list countries or country groups.

The UPS is used by households and enterprises whose correspondence is up to 100 letter and 25 parcel addressee at the same time.

There exist the difference between UPS definition and universal postal activities under universal service obligation. The universal postal activities under universal service obligation includes addition to UPS also the obligation to provide money transfers, pension, social benefits payments and delivery of periodicals. The delivery of periodicals guarantees the service in rural areas, where it's not attractive and economically effective for other enterprises.

According to discussions with data provider the decision was made to measure in Estonia UPS under EMTAK group 53.1. UPS has accurate concept and price formation.

All other postal services except UPS are measured under EMTAK group 53.2 "Other postal and courier activities".

Whether distinction between 53.1 and 53.2 is essential for liberal postal market at all? In case of Estonia only one enterprise meets the definition of postal activities under universal service obligation (53.1). The postal activities under universal service obligation are not the biggest share of total turnover of enterprise and even decreasing every year.

Several new services are presented and ensure very fast their position in the market. For example the skilled connection of parcel locker, post office and courier network. In what kind of postal service group belongs this?

National accounts concepts and measurement issues related to GDP

At the beginning only CPI data were available for GDP deflation and for input-output tables for postal and courier services. Since May 2013 are available also B2B SPPI for activity 53.1. Time-serie for 53.1 starts from 1st quarter 2010 and are confidential. Time-serie for B2B SPPI for activity 53.2 starts from 1st quarter 2008. Also there is available B2B total index for activity 53 with weights reference 2010=100. This index is used in the input-output tables.

Pricing methods

Affordable prices charged from users for UPS established by a regulation of the Minister of Economic Affairs and Communication. These prices are list prices and used for all clients. The VAT is not included in postal item prices. Discounts are not applicable for UPS in Estonia.

The pricelist is very wide, according to the geography, weight and dimension of parcel or letter. The representative postal items are selected in cooperation with respondent.

The UPS prices are not changing every month.

Evaluation and comparability with turnover/output measures

The financial data of enterprises have been collected on the basis of the annual and quarterly statistical surveys. The surveys population comprises enterprises included in the register of economically active enterprises called the Statistical Profile. The Statistical Profile is created on the basis of the Commercial Register and is used as the sampling frame. By number of employed persons, the survey included all enterprises with 20 and more employed persons. Stratified simple random sampling was used for small enterprises (with 1–19 employed persons).

Turnover – income from sale of all products, goods and services received or to be received, which does not include VAT and excises. Turnover is equal with the pay received or to be received and is calculated on a accrual basis accounting. Turnover excludes subsidies.

Annual turnover data are collected for group 53.1 of EMTAK2008 and available for internal use.

Quarterly turnover data are collected and published for division 53 of EMTAK2008.

For SPPI calculation is used turnover information on service groups from Annual Report declared to Commercial Register. More detailed level estimation is asked with price questionnaire.

Summary

Statistics Estonia developed SPPI for EMTAK 53.1 “Postal activities under universal service obligation”, but the index is confidential and used internally.

According to the legal act the only UPS provider in Estonia is Estonian Post Ltd for 5 years.

Representative services for index calculation have been selected in cooperation with data provider.

The SPPI is calculated monthly and available for internal users on quarterly bases. The index is calculated as a Laspeyres type chain index. The SPPI time-serie starts from 1st quarter 2010.

Weighting information on service groups is available from Annual Report declared to Commercial Register. More detailed level estimation is asked with price questionnaire. The weight reference is 2011=100. The weights are updated annually year t-2.

The main objective of the index is the use for deflation in National Accounts system.

References

NACE and CPA, http://ec.europa.eu/eurostat/ramon/index.cfm?TargetUrl=DSP_PUB_WELC

Estonian Competition Authority, <http://www.konkurentsiamet.ee/?lang=en>

Estonian Post Ltd, <http://www.post.ee/?lang=en>