



Mini-presentation

SPPI for Postal Activities under Universal Service Obligation (USO) In Hungary

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Content

- Introduction;
- Market conditions;
- Definition of the service;
- Classification in EU;
- Pricing unit of measure;
- Pricing methods;
- Quality adjustment;
- Evaluation of Comparability;
- Summary.





Introduction

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**;*
- ✓ *Hungary in **2013**, is also liberalising the respective postal markets.*



Market conditions and constraints

- Industry is **dominated by one enterprise**, (Hungarian National Post Office);
- **Confidentiality rules**, the statistics, including SPPI data for postal services (USO) are not published;
- **Data are available** at the division level **(53)** **Postal and courier activities**;
- **Effects of globalization.**



Description of the industry

Postal activities under USO



- Use of the **universal service infrastructure**;
- Also included are other **activities** necessary **to support the USO.**



Effect of globalization

Effect 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.



Description of the service

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**.



Definition of the service

NACE Rev.2 /CPA 2008

Activities related to the Postal services (USO) are concentrated in:

section “H” Transportation and storage services;
division “53” *Postal and courier activities.*

Industry Classification

- **53** *Postal and courier activities;*
- **53.10** *Postal activities under universal service obligation;*
- **53.20** *Other postal and courier activities.*





Definition of the service

Class 5310 includes:

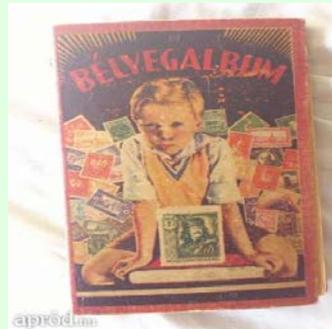
- Pickup, sorting, transport and delivery of letters and parcels and packages by postal services operating under an USO.
- Collection of letter-mail and parcels from public letter-boxes or from post offices.

Class 5320 includes:

- Pickup, sorting, - transport and - delivery of letters and parcels and packages by firms operating outside the scope of a USO.

This class also includes:

- Home delivery services.





Differences

Differences between postal services (USO) and courier activities

- On the one hand, **national post services** have **specific characteristics** (USO) determined by regulation.

- On the other hand, **couriers** can offer **'tailor-made'**, door to door **services** according to the market conditions.

Companies are offering **logistic, storage and freight transport services** to their customers .



Product Classification

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 USO*



STANDARD CLASSIFICATION in EU

- **NACE Rev 2 / TEÁOR'08** (the statistical classification of economic activities in the European Communities / in Hungary).
- **CPA'08 / TESZOR'08** (the European/ Hungarian 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

Nace Rev. 2



Special conditions

The Turnover structure

- **Main activity + secondary activities** – enterprises with more than 19 employees;
- **Domestic + non-domestic/export** (by residency) – enterprises performing dual accounting;
- **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).



Spetial conditions

SPPIs

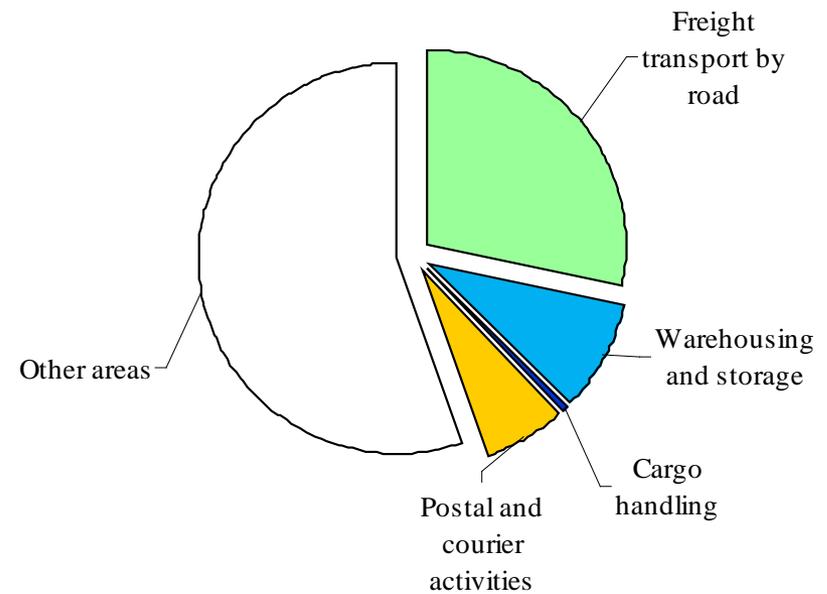
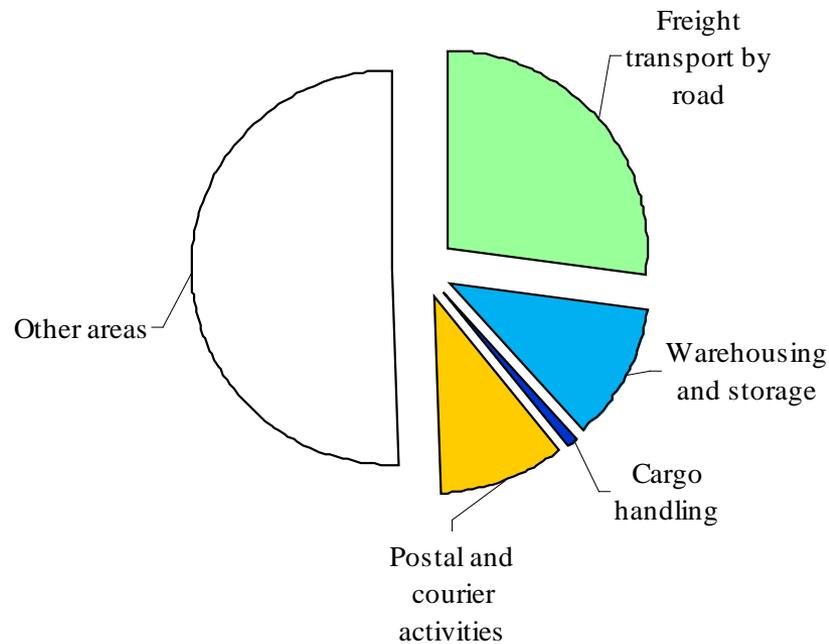
- ✓ *Industry-based vs. product-based SPPI (deflator) data;*
- ✓ *Business to business vs. business to all SPPI;*
- ✓ *Split of the total SPPI: domestic + export.*



Size of the industry

GDP share, 2011

Turnover share, 2011





Annual structural indicators by NACE Rev. 2

Enterprises classified in national economic division H 53

(2010. year)						
NACE REV. 2	Number of employees		Turnover		Value-added at factor cost	
	capita	%	(Million HUF)	%	(Million HUF)	%
H Transportation and storage	219 821	100,0	3 640 121	100	998 240	100
53== Postal and courier activities	39 254	17,9	240 968	6,6	139 153	13,9
531= Postal activities (USO)	34 909	15,9	191 932	5,3	126 210	12,6
532= Other postal and courier activities	4 345	2,0	49 036	1,3	12 943	1,3

Source: website of the HCSO



Definition and scope of SPPI

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).*



Hungarian SPPI system

➤ In general includes observation of services sold outside of the domestic market (export?),

but,

➤ The monitoring of export prices for *Post and courier activities* seems to be difficult (see paper on Turnover for postal activities).

➤ Both *B-B* and *B-All* SPPIs are published.





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)



Record keeping practice

- ✓ Statistical **survey**;
- ✓ Supply of data is **compulsory**;
- ✓ Price data are collected **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**;
- ✓ Producing both **B-B and B-C** indices.





Weights

- For aggregation of the higher level indices:
SBS turnover data from 2 years prior to the actual year.

The indices are **chain linked** with annually up-dated weights.

- For aggregation of lower level SPPIs of companies:
product type of **turnover data 1 year prior to the actual year** collected by the SPPI survey.



Pricing unit of measure

Classification Name of the service	Code CPA/group	Unit of measure
<i>Domestic letter up to 30 grams (non-priority)</i>	5310.12/XXX1	<i>FT/mail</i>
<i>Domestic letter 30-50 grams (non-priority)</i>	5310.12/XXX2	<i>FT/mail</i>
Service for registered mail	5310.12/XXX3	<i>FT/mail</i>
Service for returned receipt for letter	5310.12/XXX4	<i>FT/mail</i>
<i>Foreign letter up to 2 kg (non-priority)</i>	5310.12/XXX5	<i>FT/mail</i>
Direct mail up to 30 grams	5310.12/XXX6	<i>FT/mail</i>
Direct mail 31-50 grams	5310.12/XXX7	<i>FT/mail</i>
Direct mail 51-500 grams	5310.12/XXX8	<i>FT/mail</i>
Official documents, other	5310.12/XXX9	<i>FT/mail</i>
Domestic standard package	5310.13/XXX1	<i>FT/mail</i>
Service for returned receipt for package	5310.13/XXX2	<i>FT/mail</i>



Pricing methods

The main pricing methods used in Hungary concerning postal services (USO)

✓ „unit value” method

concerning other postal and courier services

✓ „contract pricing” and

✓ „direct use of prices of repeated services”

- 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);
- **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...);
- ✓ „Direct use of prices of repeated services” is also used.
„CPI's as proxies for SPPIs”



Use CPIs as proxies

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.



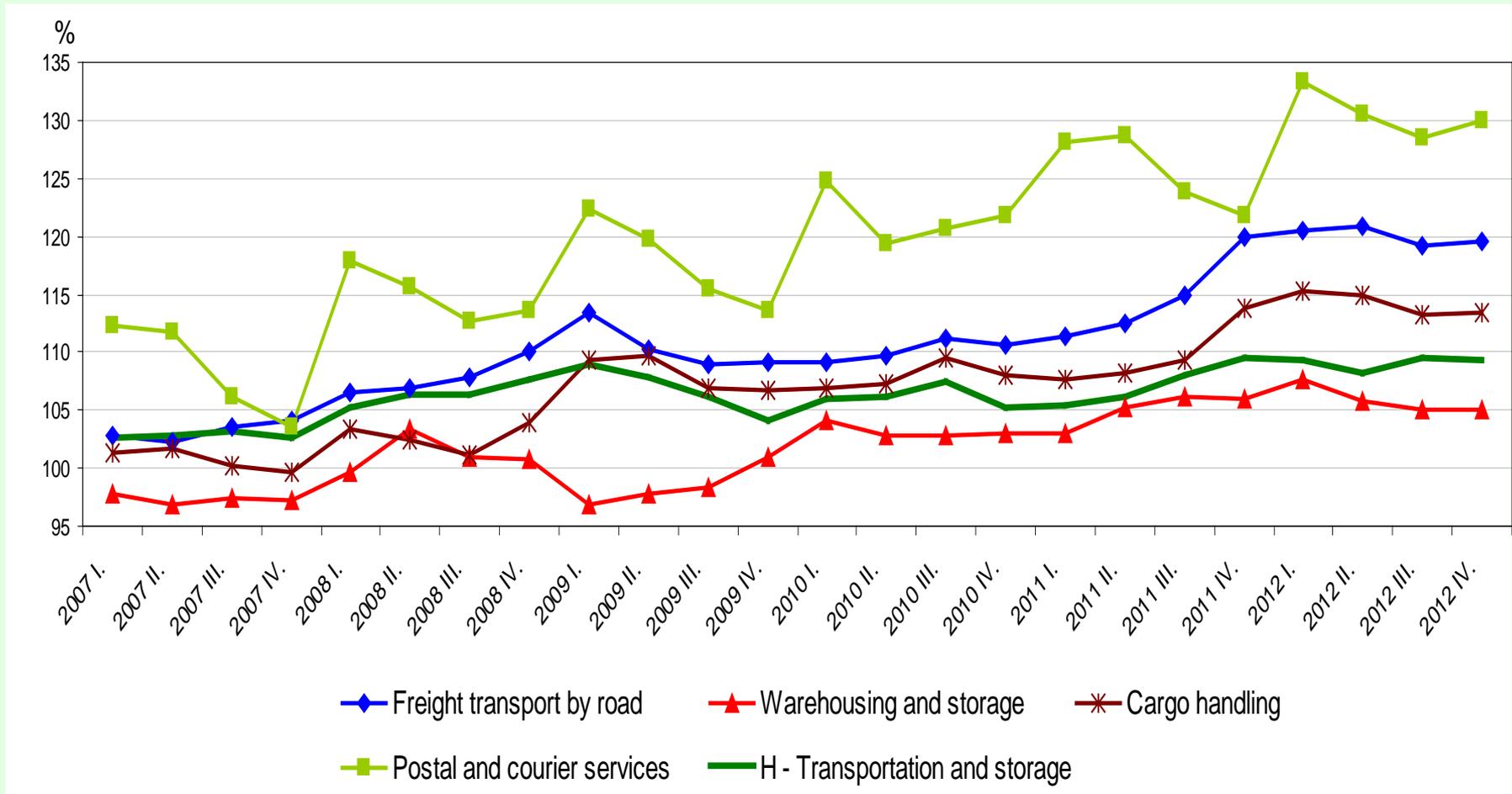
Price determining factors

- ✓ **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)

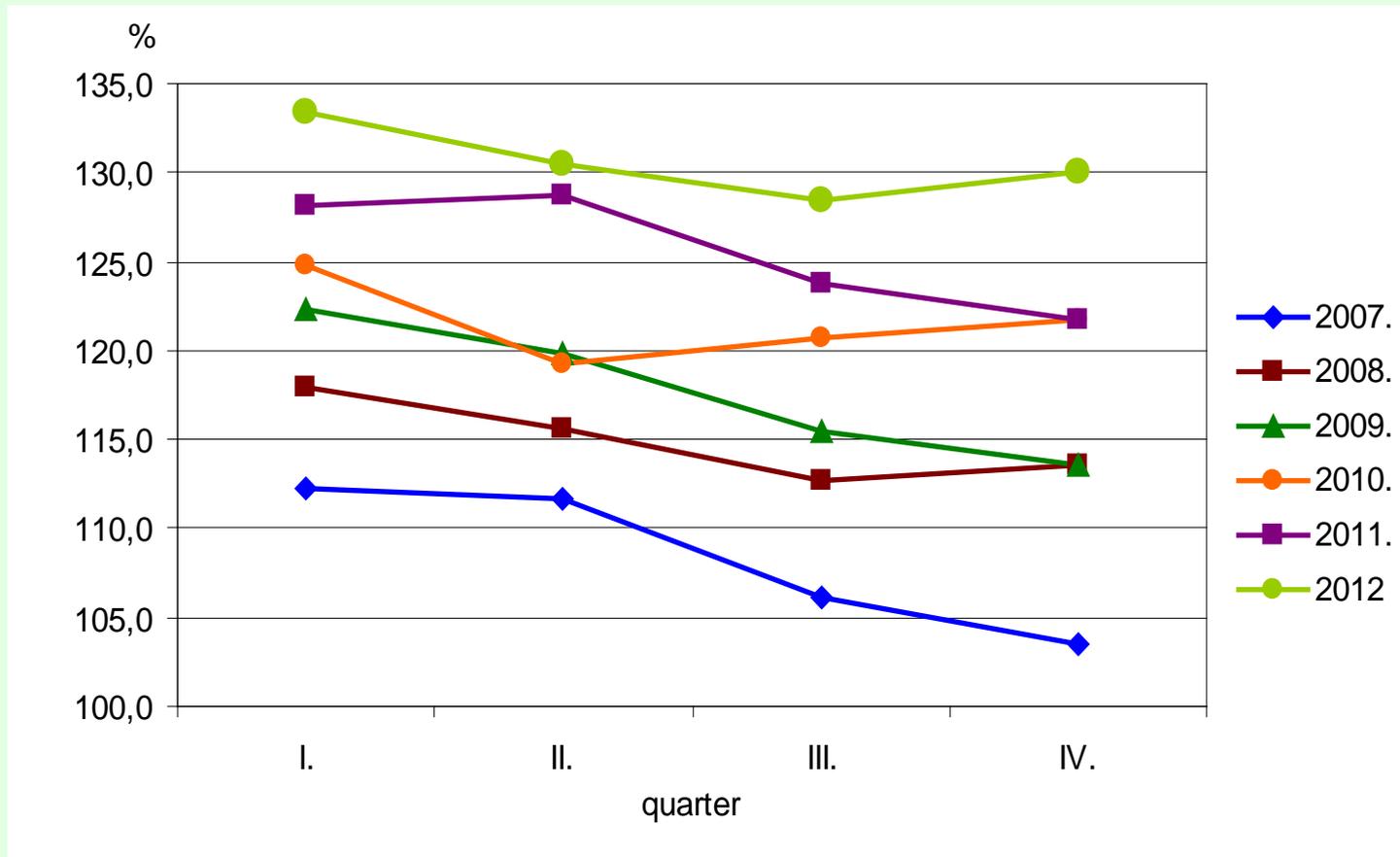


SPPIs (B-B) for transportation and storage services in Hungary 2007-2012 (2006=100)





SPPIs (B-B) for Postal and courier activities in Hungary 2007-2012 (2006=100)





QUALITY ADJUSTMENT

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**.





Comparability

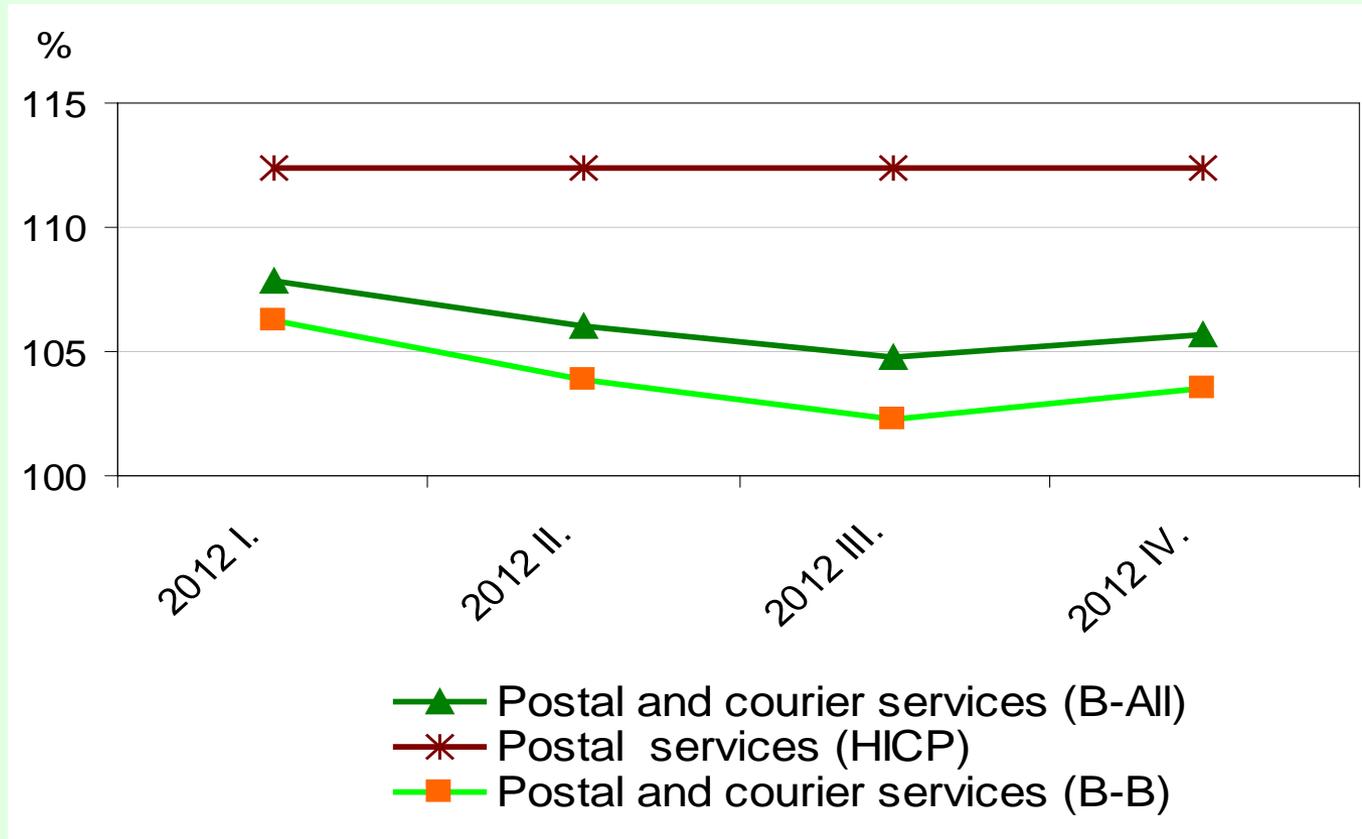
Consistency / Inconsistency

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-All; by residency: domestic, non-domestic client);
- **Valuation of the domestic vs. non-domestic market.**

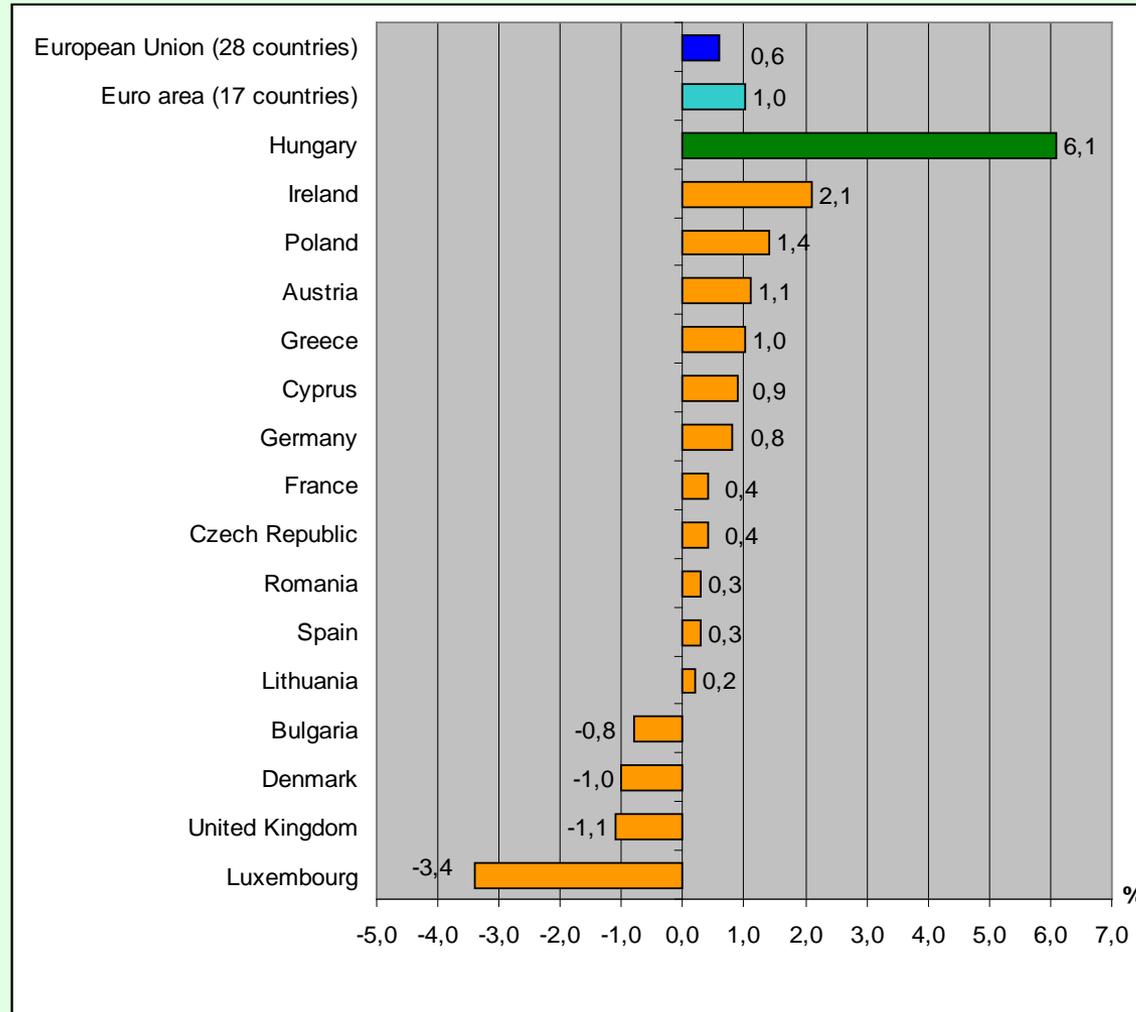


Price indices for postal and courier services in Hungary, 2012 (2011=100)





Yearly SPPIs for Postal and courier activities (B-All) in the European Union, 2012 (2011=100)





Summary

The main characteristics of the Hungarian postal and courier industry

- ✓ High level of **concentration**;
- ✓ **Dominance of the National Post**;
- ✓ Industry is **highly regulated**;
- ✓ **In 2013 Hungary is liberalising** the respective postal markets;
- ✓ **B-B** and **B-All SPPIs** are produced;
- ✓ Actually **product-based “53”** and **“5320”** indices are published on HCSO website;
- ✓ **“5310”** for postal services (USO) is **not available** (confidentially rules);
- ✓ **Industry-based SPPIs** are under development.





Thank you for attention!



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