Internal market of postal services

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The Commission presents a report on the application of the Third Postal Services Directive (Directive 97 /67/EC as amended by Directive 2002/39/EC and 2008/6/EC) and the main developments that have taken place in the postal market.

To recall, the Third Postal Services Directive introduced the legal basis for the accomplishment of the internal market for postal services by providing the last legislative step in the process of gradual market opening. It set a deadline for full market opening of:

- **31 December 2010 for 16 Member States** (Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Slovenia, Spain, Sweden, UK) and;
- **31 December 2012 for the remaining 11 Member States** (Cyprus, Czech Republic, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Romania and Slovakia).

The main observations in the report are as follows;

1) Affordable and reliable parcel delivery services are crucial to help realise the potential of the Digital Single Market.

- Postal services continue to play a vital role across the European Union, although the nature of that role is changing as new technologies are **driving both e-substitution** and an increasing volume of online purchases.
- The ability to send letters and parcels to arrive within a specified time at a definite price to all parts of the European Union remains a fundamental contributor to social, economic and territorial cohesion and the development of the single market.

2) Enhanced oversight of the parcel market is required.

- National Regulatory Authorities continue to fulfil a crucial role underpinning and overseeing the application of and ensuring compliance with the Postal Services Directive in Member States. The European Regulators Group for Postal Services (ERGP), established in 2010, has improved consultation, coordination and cooperation among the National Regulatory Authorities at the European level.
- Given the decline in letter volumes and growing number of parcels driven by e-commerce sales, stronger regulatory oversight of and more comprehensive data on the parcel market is needed to gain a full and accurate picture of the overall postal and parcel markets and to develop the full potential of the Digital Single Market.

3) An affordable and reliable universal service is provided for letters.

- All Member States, with the exception of Germany, have formally designated the incumbent national postal operator as the "universal service provider". In Germany, the historical national postal operator acts as the universal service provider.
- The vast majority of domestic letters are delivered the next working day (providing they are sent using a next day service, rather than a deliberately slower and cheaper alternative) and intra-EU mail delivery continues to exceed the quality standards specified in the Directive.
- Between 2012 and 2013 tariffs for a 20-gram letter increased on average by about 5.6%. However this had no significant impact on the affordability of this service for EU citizens. All Member States

ensure that all providers of postal services have a transparent, simple and inexpensive procedure for dealing with complaints from users, and most universal service providers have a system of compensation.

4) Need for accurate and comparable information about net cost of universal service.

- In the event that the provision of the universal service in a Member State results in a net cost that creates an unfair burden on the universal service provider, the Postal Services Directive sets out ways in which the 'net cost' of the universal service obligation that represent an unfair financial burden for the designated universal service provider(s) can be compensated. However, in order to provide funding and ensure it is compatible with rules on State aid, the costs have to be calculated in a comparable fashion.

5) Slow development of competition for letter post and anti-competitive behaviour.

- Despite full market opening across the EU by 2013, competition in the letter markets has been slow to develop in most Member States and universal service providers have retained majority markets shares in Member States. Of the fifteen Member States that fully opened their markets before 2011, eight had over 5% competition in the letters market (by volume) by 2013.
- Where competition in the letters market has developed, it is more widespread for end-to-end delivery provided by operators who created their own distribution network to deliver directly to recipients themselves.
- In several Member States, National Competition Authorities have condemned the provider of the universal service for anti-competitive behaviour in form of an abuse of a dominant position. Cases include illegal rebates to business customers, margin squeeze and predatory pricing.
- Market entry and development of competition may also be discouraged through some regulatory practices, such as the imposition of license conditions for new entrants.

6) Decline in the number of letters being sent and increase in e-substitution.

- The number of letters sent using universal services providers in the EU has declined from an estimated 107.6 billion in 2008 to 85.5 billion in 2013. The decline rate rose to 4.85% between 2012 and 2013 (in terms of volume) for the EU28. Member States with more mature markets for letters have experienced the greatest decline, and this is expected to continue.
- Even if the decline in letter volume in less developed postal markets is lower in relative terms it is nevertheless likely to have a significant impact, given the smaller economies of scale than in the more mature markets.

7) Parcels are a growth area but consumers and e-retailers complain about the quality and cost of cross-border delivery services.

- Estimates of the size of the European parcel market suggest values of EUR 60 billion for the combined European courier, parcel and express markets in 2010; EUR 47 billion in 2011 (including shipments up to 2,500kg); 28 EUR 37 billion for the parcel and express market in 2011; and EUR 53.5 billion in 2014. The number of parcels per capita does however differ greatly between Member States.
- Competition appears to have developed to a greater extent in the parcel market than in the letter market and 'express' operators such as UPS, DHL, TNT and FedEx are increasingly developing their business to consumer (B2C) services.
- Concerns do, however, persist about the affordability, accessibility and availability of cross-border parcel delivery services: the absence of delivery features (e.g. track-and-trace information), poor price transparency and high prices are repeatedly amongst the main complaints from both consumers and e-retailers.
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- The Commission launched a public consultation to help identify solutions to improve cross-border parcel delivery and will **launch measures in the first half of 2016** to improve price transparency and regulatory oversight of cross-border parcel delivery.

8) Decline in employment by universal service providers and more varied working conditions.

- Figures show a fall in the total number of staff employed by universal service providers of about 250,000 between 2008 and 2013. Employment by universal services providers decreased at an average rate of 4.4% in the 28 Member States between 2012 and 2013.
- In many instances modernisation has been managed in a socially responsible way together with the trade union and early retirements and voluntary departures have been used to minimise the number of compulsory redundancies.
- There have, however, been significant increases in the proportion of part-time employees in some Member States and overall there is a trend towards more flexible forms of employment contracts.

In conclusion, the Commission considers that the postal market continues to evolve rapidly and **ongoing close monitoring** and further analysis of the overall postal market, and the effects of the regulatory framework, are needed. It will **publish statistics annually from 2016** to provide regular updates on developments in the letter and parcel markets in the European Union.