Research for the TRAN Committee

Postal Services in the EU

21/01/2020

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Structure of the Presentation

1. Main developments in the EU postal sector
2. Challenges, opportunities and policy responses
3. Recommendations for EU postal policy makers
1. Main developments in the EU postal sector
Evolution of EU postal regulatory framework

- **1992**: Green Paper on the development of the single market for postal services (COM/91/476)
- **1997**: First reduction of the “reserved area”
- **1999**: Second reduction of the “reserved area”
- **2002**: Postal Services Directive (97/67/EC)
- **2003**: Second reduction of the “reserved area”
- **2006**: Third reduction of the “reserved area”
- **2008**: Full market opening for 16 Member States
- **2010**: Full market opening for remaining Member States
- **2012**: Regulation on cross-border parcel delivery services (EU) 2018/644
- **2018**: Full market opening for remaining Member States
The postal and delivery sector is significant to the EU economy

Development of revenue in letter post and parcel & express segments, billions Euro

<table>
<thead>
<tr>
<th>Year</th>
<th>Letter services</th>
<th>Parcel &amp; express</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>84 47%</td>
<td>53%</td>
</tr>
<tr>
<td>2014</td>
<td>86 45%</td>
<td>55%</td>
</tr>
<tr>
<td>2015</td>
<td>88 44%</td>
<td>56%</td>
</tr>
<tr>
<td>2016</td>
<td>90 42%</td>
<td>58%</td>
</tr>
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The postal and delivery sector is significant to the EU economy.
Digital communication is transforming the postal industry

Development of domestic volumes, %
The competitive landscape is evolving

Digital deliveries? (email, e-banking,..)

Universal service providers’ share of domestic addressed letter deliveries, %

Universal service providers’ share of domestic parcel & express deliveries, %

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Financial performance of the incumbent postal operators has been decreasing

Development of universal service providers’ profitability in the EU

Average EBIT (earnings before interest and taxes) margin
More attention is paid to the impact on the environment

- Changes in the **product mix** have important implications for postal operators’ direct environmental footprint

- The **true net-effect** of the postal and e-commerce delivery sector on the environment has **not been appraised**

![Bar chart showing CO₂ emissions for letters and parcels.](chart)
2. Challenges, opportunities and policy responses
Challenges

- Changing user needs lead to lower volumes (at different pace in different countries)
- Sustainability of postal operators is under pressure
- Challenge to sustain basic postal service for vulnerable users
- Challenge to relocate postal workers
- Pressure from other regulation (e.g. environmental regulation for inner city delivery)
Opportunities

Growing e-commerce

Universal service providers’ network and brand value that can be leveraged to provide SGEIs

New operational technologies
Policy debates and responses to ensure a sustainable universal service obligation

Allowing universal service providers to improve efficiency through higher operational flexibility
- Delivery speed & frequency
- Network density
- Quality targets

Allowing universal service providers to price more flexibly
- Price increases
- Price differentiation

Putting the sustainability of the universal service obligation in front of other policy objectives
- Compensation
- Consolidation

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3. Recommendations for EU postal policy makers
Provide flexibility to ensure that Member States can deal with different issues they are facing

1. Tame monopoly
   Focus on market failures (if any)

2. Adjust to ensure sustainability
   Flexibility for MS and universal service providers

3. Subsidise
   State Aid rules
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