

PostEurop contribution to the Commission's public consultation on cross-border delivery "Initiative to enhance the affordability, quality and convenience of cross-border parcel delivery"

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PostEurop, representing **52 Universal Postal Service** providers across Europe, welcomes the opportunity to respond to the public consultation on cross-border delivery "Initiative to enhance the affordability, quality and convenience of cross-border parcel delivery". The following position is related to section "IV. Questions to the public or representative organisation or institution" of the questionnaire for the general public (EU Survey) with its two questions:

***Q1** - Do you agree there is an issue with both affordability and regulatory oversight of the cross-border parcel delivery market?*

***Q2** - What regulatory response, if any, would you consider useful to address the current issues and how could it be addressed?*

Response of PostEurop:

- E-commerce is hugely innovative and fast growing and provides important business opportunities for postal operators as on-line purchases need to be delivered. Accordingly, postal operators have responded by investing in infrastructure, new services and solutions, to meet the constantly changing requirements and expectations of e-consumers and e-retailers.
- Growth in online sales has led to increased competition in delivery services and networks. There are a lot of players in the market, both for domestic and cross-border delivery services. While the level of competition may vary across European countries generally, competition in delivery appears to be higher in countries with more mature e-commerce markets. Recent research by Copenhagen Economics states that there are at least three (main) delivery operators available in all member states (Copenhagen Economics, E-commerce and delivery, July 2013).
- Cross-border delivery is provided through a variety of networks, multi- and bilateral agreements and alternative operational modes. Besides the national posts interconnecting their networks, there are four integrators, UPS, Fedex, TNT and DHL as well as parcel operators such as DPD, GLS and the more regionally limited Hermes and DHL Parcel Europe. Partnerships also exist between national postal operators and these integrated networks for cross-border delivery. The market is now so much more complex that it is no longer a simple case of national

postal operators using their counterparts across the border; they use a variety of other networks and providers.

- In this competitive environment, prices are set according to the market and competition. Affordability or cost-orientation are insufficient and inappropriate tools to apply in these competitive markets. Delivery is an input factor to e-commerce, comparable to the renting of shops in the competing brick and mortar sector. Regulatory price constraints, such as an affordability requirement below market prices, would be a subsidy for e-commerce, an intervention in the natural development of e-commerce versus the traditional brick and mortar sector, and could support economically unsustainable business models.
- Businesses operating in such a fast developing market as e-commerce need to continually invest and innovate. Technological developments and consumer demands change rapidly and need to be responded to; only profitable businesses can make such investments. Therefore any regulatory interventions that would impact negatively on the profitability of the businesses would have an effect on the level of investment and innovation across the market, ultimately leading to consumer detriment.
- Complaints about non-affordable or excessive delivery prices are usually based on a perception of what is disproportionate. The first misperception people have is between a comparatively low value of a good and the delivery price. Delivery costs are, however, independent of the value of the goods delivered. Suggestions that delivery price should be linked to the value of the good is unrealistic and distortive. Postal operators' delivery charges for the same level of quality of service are always based on size, weight and volume – not the value of the item. Cross-border delivery of a pair of shoes will cost the same irrespective of whether they are worth €20 or €2000.
- Some have also expressed concern about a perceived disproportionality between domestic and cross-border delivery prices, especially for short distances. In fact, for consumer services most operators apply one uniform price to all EU destinations. They cover short distances (just across the border to a neighbouring country) and long distance deliveries (to the most remote countries). Therefore, consumers sending parcels across Europe benefit from network cross-subsidies with high volume low cost routes subsidising the low volume high cost routes. Concerns about some seemingly expensive cross-border prices for short distances (e.g. Munich to Salzburg) necessarily exist because a single uniform price provides cost benefits for longer distances. This is the same approach that exists domestically, where average prices apply with no distinction of short (delivery within one city) and long delivery journeys (across the country). The single uniform price provides simplicity and price transparency for consumers.

- While complaints about delivery prices are mainly based on consumer prices, these prices are of little relevance for e-commerce, except perhaps for very small or micro online sellers who are in any case protected by the universal service regulations under the postal directive. Thresholds for obtaining discounts and individual contracts are low in terms of shipments per year, and small e-retailers have access to marketplaces re-selling delivery services purchased on business conditions.
- In this context, it is also important to note that it is not the postal operator who charges the consumer for the delivery of their purchase, but the e-retailer. The delivery fee that the e-retailer charges the consumer often does not reflect the actual price charged by the delivery operator, and often exceeds it. This (re-selling) practice is not uncommon. Likewise, small online traders who make use of an e-commerce platform may be charged higher delivery prices by a platform provider than the postal operator charges to the platform provider. Finally, lower delivery prices charged by postal operators will lead to lower fees for the e-shoppers, but only if passed on by the e-retailer.
- The European Commission has made it clear that it would like greater price transparency. It is our view that prices for consumer services, or, more generally, for single piece services are already transparent. National postal operators as well as other delivery operators publish their public prices for their domestic and cross-border offers on their websites and easy to use online price calculators have become standard. Moreover, in many countries, price comparison portals exist. Indeed, there is a real risk that providing greater price transparency on prices based on individual contracts, for instance by means of a comparison portal, will undermine competition as delivery operators will gain insight into the prices and pricing strategies of their competitors. While at a first glance, transparency may be seen to increase customers' choice, transparency may encourage concerted practices and lead to less competition. It should be noted that even small online traders are able to contact delivery operators and ask for individual offers and rates.
- In PostEurop's view, there is no competition or policy rationale for regulatory intervention to increase oversight of parcel markets, either domestic or cross-border. There is no evidence of a market failure that could justify any additional regulatory intervention. This is a dynamic and innovative market.
- Policy intervention to facilitate the digital single market should be balanced against the European Commission's remit to secure the delivery of universal postal services in Member States. In PostEurop's view, any additional regulatory intervention in the parcels market – especially any focused disproportionately on the national postal operators – could risk undermining the continued delivery of universal postal services across the EU. Introducing more regulatory constraints will restrict capacity to innovate and invest in infrastructure and services required

by e-commerce, on-line traders and shoppers. Finally, regulation will potentially lead to increased costs and less consumer choice.

- Overall PostEurop does not see any evidence of problems in the cross-border parcel delivery market that merits European Commission intervention. The market is competitive and additional regulatory oversight risks unintended consequences with no obvious benefits. Absent a market failure on the European scale, there is no justification for any regulatory response on the European scale. If there are local deficiencies, these have to be solved locally by enforcing existing instruments and provisions.
- The last two-year self-regulation exercise has demonstrated the willingness of National Postal Operators across Europe to address challenges linked to the digitalisation of the economy. They have joined forces in a European-wide Industry Initiative committing themselves to implement concrete measures with the aim of further improving cross-border parcel delivery services and responding to the specific issues raised by the Commission's Green Paper on Parcel Delivery in 2012. Today, consumers and SMEs can already benefit from the improvements made to the interoperability and quality of cross-border delivery. This includes more choices in the way goods are delivered, returned, track and trace solutions for lightweight parcels, harmonised label, as well as global customer service.

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PostEurop is the association which represents the interest of 52 European public postal operators. Committed to supporting and developing a sustainable and competitive European postal communication market accessible to all customers and ensuring a modern and affordable universal service, PostEurop promotes cooperation and innovation bringing added value to the European postal industry. Its members represent 2.1 million employees across Europe and serve to 800 million customers daily through over 175,000 counters. PostEurop is also an officially recognised Restricted Union of the Universal Postal Union (UPU).