Regulatory and market developments following digitalization of the postal sector

António Manuel Amaral
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PostEurop at a glance
The postal sector with more than 2 million employees is leading the way in CSR and has key a role to play in the booming e-commerce market.

For PostEurop CSR is a lever of Performance, Innovation and Conviction.

Focus 2017–2018:
The postal sector is committed to youth inclusion.
Key European postal industry figures

- 150 billion total revenues
- 2 million employees
- 800 million consumers
- 75 billion letters/year
- 4 billion parcels/year
The known drivers for change

Individualization

Use it instead of Own it

GLOBAL
e-Commerce

Drivers for change

Big Data

e-Government
Decline in letter mail volumes – a well known reality

Snapshot retrieved from Copenhagen Economics presentation (Bruno Basilisco) at Marketforce «European Post & Parcel Services» event in Amsterdam, March 2017
Driven by e-Commerce, the parcel volumes more than doubled over the last decade

Snapshots retrieved from “IPC Global Postal Industry Report 2016 - Key findings”
Postal Operators still have leverage in the new digital world with their key strengths

• Longest tradition – unique know-how

• Largest physical retail and delivery network

• Among the biggest employers in every country

• Portfolio Diversification

• Trusted partner
Portfolio diversification
Concerted industry investment programme - Interconnect

- Harmonized set of services (incl. origin + destination countries)
- Full track-and-trace from posting to delivery, RFID barcode
- Free cross-border return solution
- Harmonized processes, incl. harmonized labels throughout Europe
- Connecting call centres from up to 180 posts worldwide

Sets the foundations for a seamless cross-border e-commerce network
Key EU regulatory

USO & Postal Directive (horizon 2020)

EC’s proposal for a Regulation of cross-border parcel delivery

Implementation and roll-out of the Union Customs Code (UCC)

EU proposal for modernising VAT for cross-border e-commerce

Data Protection (GDPR)

Emerging topics in agenda

Standardization (Labels)

BREXIT

*eDetails on this “dossiers” further in the presentation*
From the EC’s Green Paper to the proposal for a Regulation on Cross-Border Parcel Delivery

- Commission’s green paper on cross-border parcel delivery (2012)

- Response to the EC concerns: Europe-wide initiative, significant investments of postal operator

- Progress made by PostEurop members explicitly acknowledged by the EC and the European Parliament: “The European postal operators have invested in up-grading network interconnectivity and introduced innovative, user-friendly services to consumers and SME e-retailers” (EP, PSD Application Report 2016)

- EC: complementary measures to improve price transparency and enhance regulatory oversight
May 2016: Commission’s proposal for a Regulation on Cross-Border Parcel Delivery Services

Objectives

Information requirements (Art. 3)

Transparency of tariffs and terminal rates (Art. 4)

Assessing affordability of tariffs (Art. 5)

Transparent and non-discriminatory cross-border access (Art. 6)
PostEurop‘s position on the Commission‘s proposal

- **Parcel delivery markets are growing rapidly and are highly competitive**
- **Transparency of prices acceptable, but no justification for transparency of terminal rates**
  - Highly sensitive business data
- **Affordability assessments entirely disproportionate**
  - Involve significant resources and costs
  - Restrict the post’s pricing strategies and thereby their ability to compete
  - Why, if only 5 to max. 10% of prices might not be affordable
- **No justification for a sector-specific regulation of third party access**
  - Cross-border delivery provided through a variety of networks and agreements
  - No market failure demonstrated
  - Agreements and access to agreements are part of normal commercial negotiations
  - Applicability of general competition law sufficient
- **Request for a proportionate approach reflecting market conditions**
12 October 2017: After many iterations, preceding the “Trialogue” phase (final stage of the approval process), the EP TRAN Committee adopted a compromise text, from the proposals at Lucy Anderson MEP report

Following the vote, Jean-Paul Forceville, Board Chairman of PostEurop:

"Today's TRAN vote recognizes the highly competitive nature of the parcel delivery market in Europe - domestically and cross border. Positive changes have been introduced, e.g. the TRAN committee has decided to delete the provision granting unconditional access to postal delivery networks for third party operators and leave it up to the market and commercial negotiations. However, PostEurop urges consistency and proportionality with respect to affordability checks. PostEurop now looks towards the European Parliament and the Estonian Presidency to ensure the future Regulation minimizes administrative burdens and reflects market conditions in the parcel delivery sector".

State of Play
- Adoption of a general approach by the Council, 9 June
- Adoption of a report by TRAN, 12 October
- Trialogue negotiations started on 20 November and an agreement was reached in December

Outlook
- Next 22 January 2018, at EP TRAN meeting, MEPs will vote on the provisional agreement resulting from interinstitutional negotiations on the cross-border parcel delivery file.
A new Postal Services Directive for 2020/2021?

The European Commission has already launched the preparatory work to establish the framework of the revision of the current Postal Services Directive, probably at the next Commission mandate:

- EC’s launch of “Main Developments study” with Copenhagen Economics as provider
- EC’s call for tender for the study on dynamic development of cross-border e-commerce through efficient parcel delivery

Some of the questions which may come to the table of discussions:

- Does the sector need specific regulation?
- What is the market of the postal operators? Communication market? e-commerce?
- Same level playing field: employment conditions when comparing other market players, perhaps including the big e-Commerce platforms
- Should we extend the scope of the postal market to a wider communication economy (digital and physical) and include the regulation of platforms?
- How the USO would be funded?

Naturally these questions are not homogenous throughout Europe since the level of digitalisation and e-Government, the number of letters per households, etc, differ greatly across the various EU Member States
EU proposal for modernising VAT for cross-border e-commerce

Negative consequences:
- disproportionate administrative burden for national customs and tax administration, e-sellers - all of which will ultimately affect EU consumers
- removal of the long standing "VAT de Minimis exemption“ (below 22 Euros, in general), a long-established provision for imports of low value items ➔ significant additional processing costs for the delivery industry
- in contradiction to the Commission's aim to modernise VAT rules for improving cross-border e-commerce from companies to consumers

The ECOFIN Council adopted this proposal on its 5 December meeting
19 October CEO meeting with VP Ansip
Thank you!

PostEurop AISBL
Boulevard Brand Whitlock 114
1200 Brussels, Belgium

T: + 32 2 761 9650
F: + 32 2 771 4856
E: info@posteurop.org

LinkedIn.com/posteurop
Twitter @PostEurop
Facebook.com/posteurop