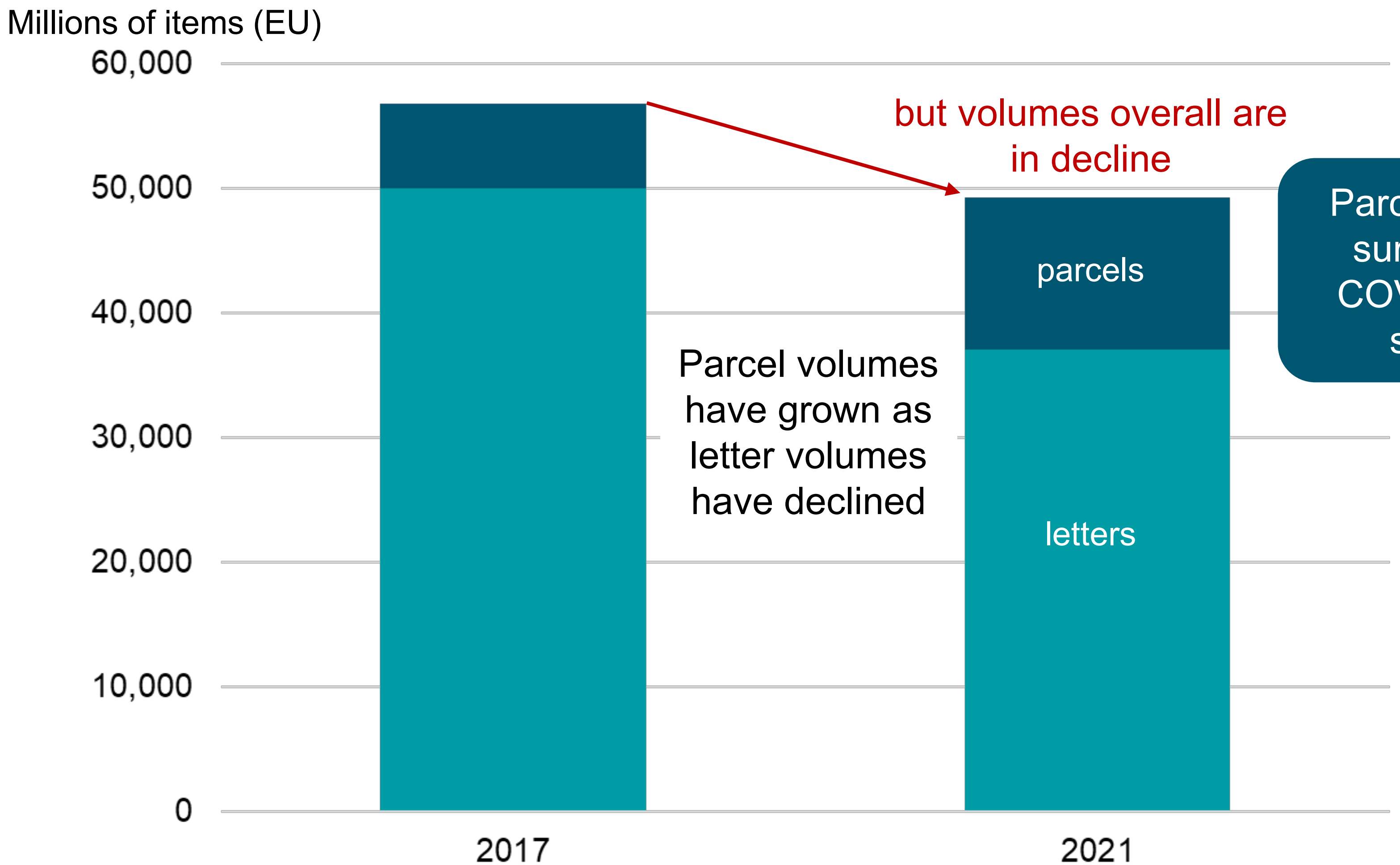
The changing postal market and how it impacts the regulatory framework

Peter Dunn
Director of European Relations
Cullen International

Structure of the Presentation

1. Market trends
2. Some significant impacts
   - Competition
   - Affordability
   - Employment
   - Environment
3. Impacts on regulatory framework

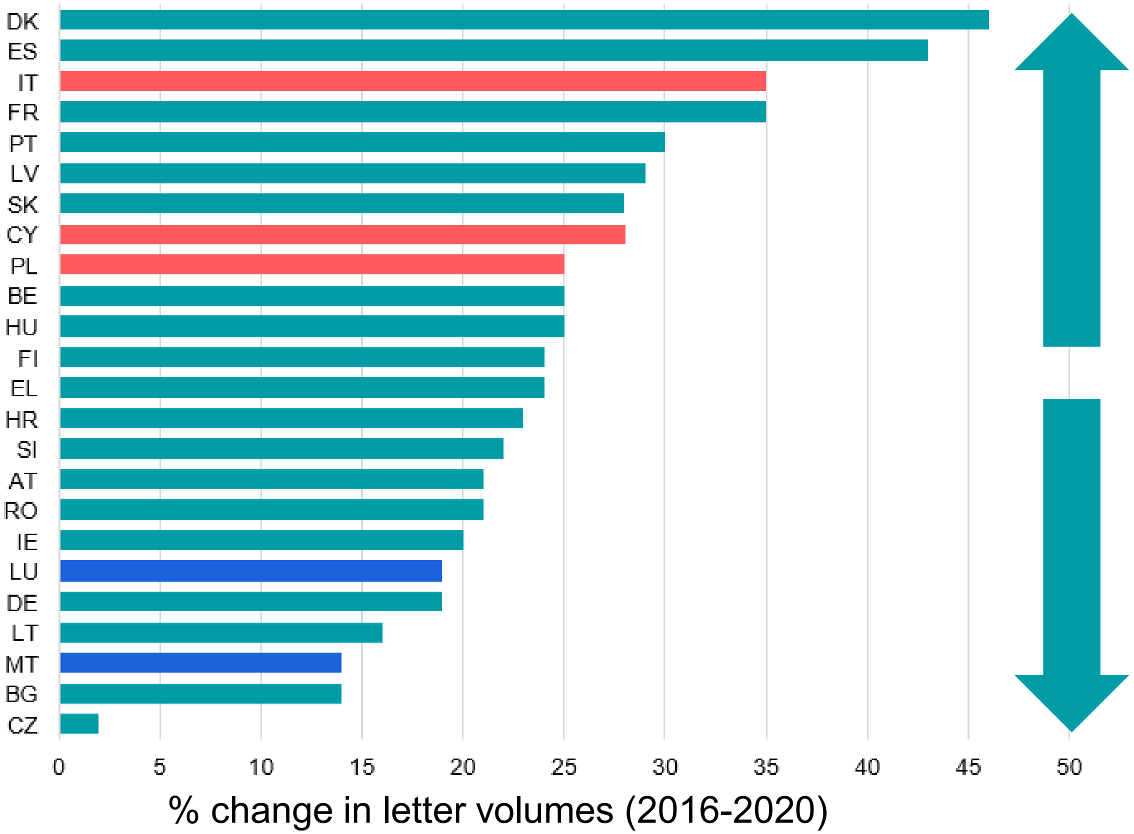
1.1 Postal volumes in decline



Parcels volumes surged during COVID but now stabilised

Source: ERGP

1.2 Digital substitution critical but not sole issue



Most have higher levels of internet usage, digital skills, e-government

but many exceptions:
IT, PL, CY – low on digital skills and e-government
MT, LU – high on all digital scores

Most have lower levels of internet usage, digital skills, e-government

Sources: ERGP, DESI, e-government

2.1 Competition is strong in EU parcels market

- Most national letters markets are highly concentrated:
  - with no more than two providers
  - universal service provider (USP) market share >85%
- Parcels markets are significantly more competitive:
  - with seven or more providers
  - USP market share no higher than 45% and <25% in most markets

Most parcels traffic is B2C and the choice of provider is made by the sender not the recipient

Source: ERGP

2.2 Affordability: an issue but only for some users

- Prices have increased in EU:
  - 8% on average per year for domestic priority letters
  - 4% on average per year for domestic parcels
- But little evidence that prices are “unaffordable”:
  - average annual household spend on post likely to be under €50
  - consumers consider mobile and broadband to be more critical

“vulnerable” user groups may continue to need protection

internet usage
In 15 EU countries in 2022, 15% of people used internet less than once per month

digital skills
In 15 EU countries in 2021, 40% of people had digital skills below the basic level

e-government
In 12 EU countries in 2021, e-government provision and delivery was below 70%

Sources: ERGP, DESI, e-government

2.3 Employment changing: but specific to sector?

- Shift from USPs to competing postal providers
- Overall employee numbers declined – postal sector
- USPs often one of the largest (non-governmental) employers in a country:
  - for example, France (3rd), Italy (1st), Spain (6th)
  - labour costs normally account of 50%+ of USP's costs
- Some evidence of deterioration in labour conditions:
  - move to more part-time and temporary work
  - generally less protection for workers in non-USP postal providers

Is sector-specific employment protection required and justified?

Sources: ERGP, Cullen International

2.4 Environmental actions being developed

- No clear figures for postal sector's contribution:
  - but some upward indicators: transport, e-commerce
  - also: buildings, user costs, air quality, urban congestion
- Actions are being taken:
  - by postal operators (electric fleets, alternative delivery)
  - by regulators (focused mainly on indicators and informing users)

More data and measures needed to inform effective actions

Regulators may be restricted by lack of legal remit

3.1 Current framework focus on universal service

Universal service
- scope
- service conditions
- tariffs
- quality of service
- cross-border
- designation of USP
- financing

Liberalisation
- exclusive and special rights
- authorisation
- national regulatory authorities

Competition
- access

End users
- complaints

3.2 Critical aspects of USO are being stretched

- Denmark's removal of USO for most letters and parcels
- Finland, Sweden and Norway: alternate day delivery
- Italy: "exception" affecting up to 25% of population
- Many other countries making/considering USO changes

Risk of Postal Services Directive falling into disrepute

Future proofing a better option?

Platforms: need to review definition of postal service?

thank you!

peter.dunn@cullen-international.com