

Single Market Scoreboard

Performance per policy area

Postal services



About

The purpose of the Union policy in the **postal sector** is to complete the internal market for postal services. Its objectives are twofold: First it introduces competition through the gradual process of market opening, which was completed at the end of 2012. Second, it seeks to ensure that **reliable and high-quality** postal services are **permanently** available throughout the European Union to all its citizens **at affordable prices**.

Postal services have a central role in an effective single market and are vital to the wider economy. In 2011 the EU letter post sector accounts for in total EUR 44 billion or 0.34 percent of **GDP**. The postal and courier services are also an important **employer** in Europe as in 2011 they were responsible for 0.8 percent of total employment in the Europe of 27. At the crossroads between communications, advertising and transport, postal services are one of the key industries for the EU economy.

Today, the role of postal services is changing rapidly and fundamentally. On the one hand, the volume of paper-based communications has declined in many countries partially due to the existence of alternative types of electronic communications. On the other hand, the growth in **e-commerce** increases the number of merchandise handled by postal operators, and therefore, it creates the need for the postal industry to facilitate the physical delivery of goods bought online.

Facts and figures

The Postal Services Directive requires that the Member States must apply the principles of **affordability, cost-orientation, transparency** and **non-discrimination** to the tariffs of the basic postal products.

The postal sector, like any other **network industry**, is characterised by high fixed costs. That means that the industry benefits from economies of scale; the higher the **volumes**, the lower the unit costs, and the more efficient the operations. As a result, the pricing strategy each operator follows is affected by each country's total mail volumes. Traditionally the postal volumes per capita are higher in Member States with higher levels of economic activity.

Geographical characteristics, population density and urbanisation rate also may influence the operational costs and therefore the price.

The sector is currently faced with a series of challenges. Recent technological developments have led to the rise of new **communication and information**

Universal Postal Service

The term *Universal Service* refers to a set of '**affordable**' postal services of '**specified quality**' whose provision has to be ensured by the Member States.

At a minimum, Member States must ensure a universal service that provides for the collection, sorting, transport, and distribution of (i) postal items weighing up to 2 kg and (ii) postal packages up to 10 kg, as well as services for registered items and insured items in both categories. In principle delivery must take place at least five working days per week to every '*home*' or '*business address*'. Prices must be '*affordable*', '*cost oriented*', '*transparent*' and '*non-discriminatory*'.

Purchasing power parities

Purchasing power parities (PPPs) are indicators of price level differences across countries. PPPs indicate how many currency units a particular quantity of goods and services costs in different countries. PPPs can be used to eliminate the effect of **price level differences** across countries.

Source: Eurostat

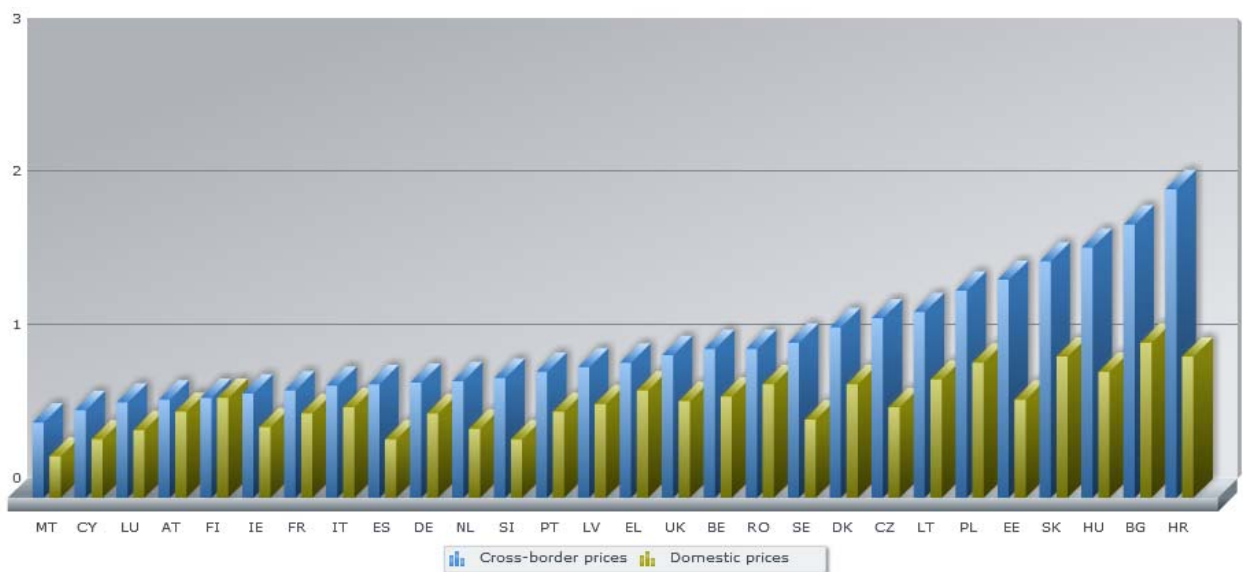
alternatives. Those alternatives are becoming available at better quality and lower prices. This has a significant impact on consumers' demand for traditional postal services.

The recent **economic crisis** has led to a substantial decrease in mail demand. As a result, price strategies of postal operators might be related to an attempt to offset the financial losses incurred by the decline in demand.

The following chart shows the **public tariff for a commonly used postal product, the 20 gr letter** (expressed in PPPs).

The blue bars represent the **cross-border price** levels to **European destinations** (ranked from low to high), whereas the green bars represent the price levels for **domestic destinations**.

Priority mail prices in PPPs (2012)

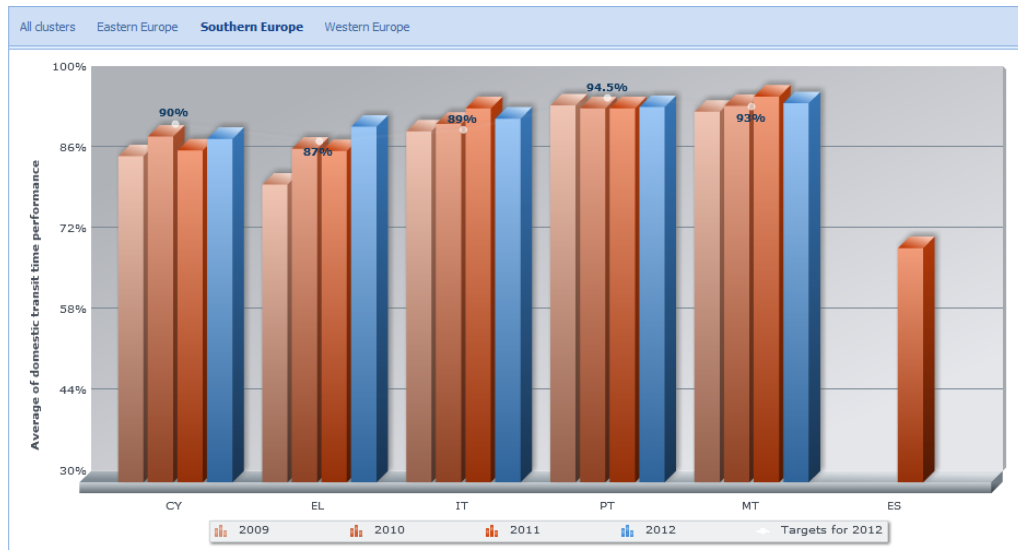
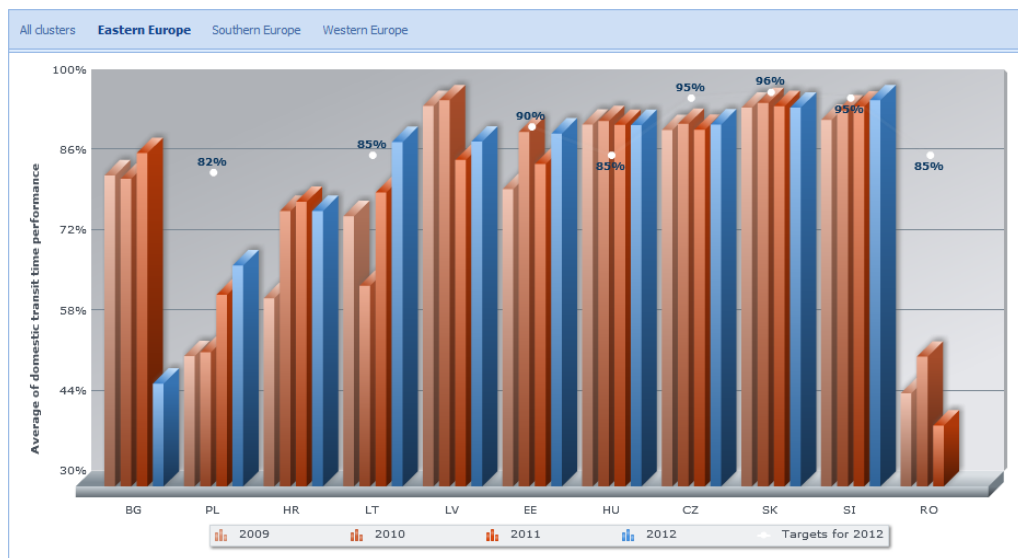
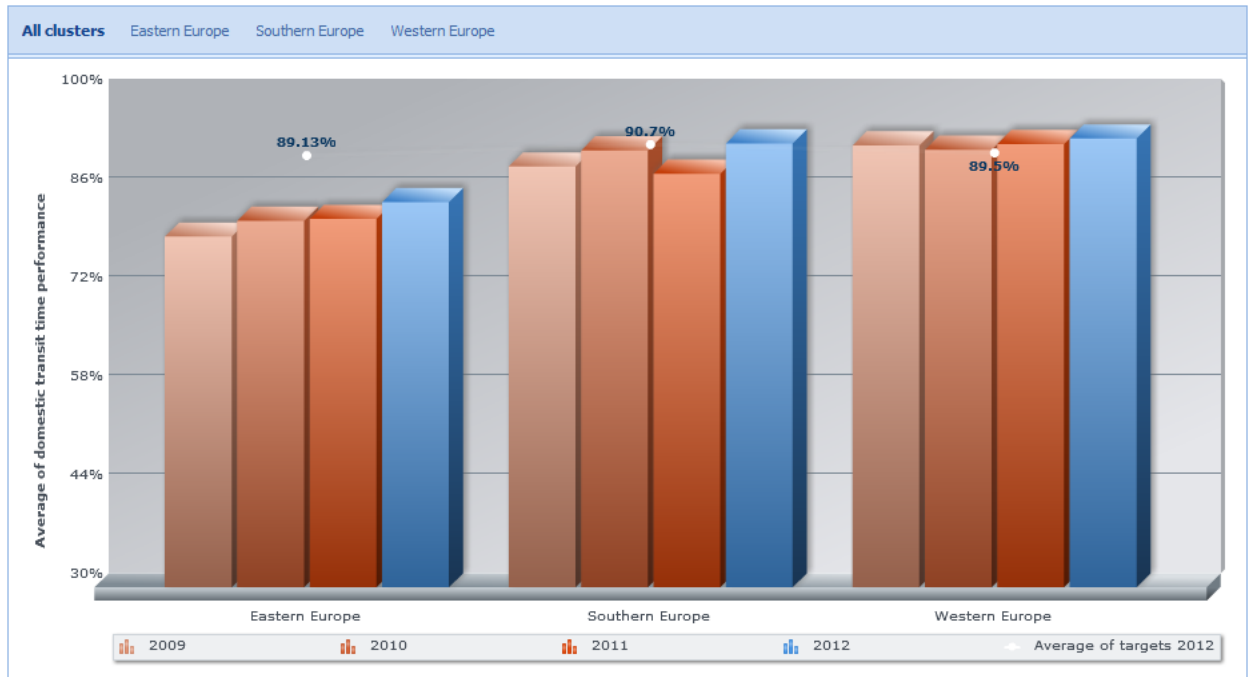


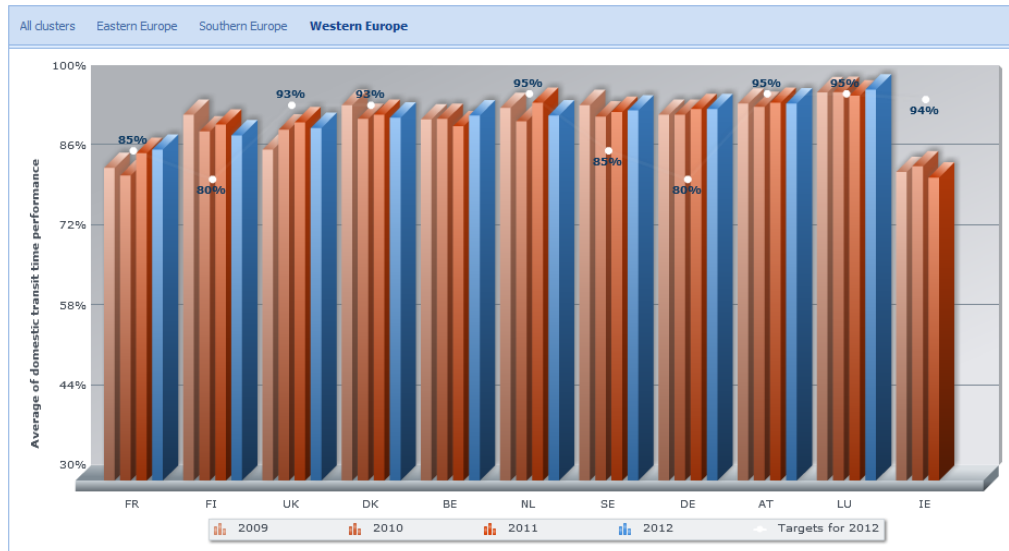
Cross-border prices are relatively high in the new EU Member States, as well as in Denmark, Sweden, Belgium and the United Kingdom. The difference between the lowest and the highest price levels for cross-border mail is quite important.

The difference for **domestic prices**, however, is less pronounced.

When comparing domestic with cross-border price levels, it is worth pointing out that **Finland is the only country that applies the same price level for both products**. All other countries apply a higher price for cross-border mail. This price difference varies greatly. The biggest differences are mostly found in the new Member States.

Domestic transit time performance





In the above chart, the European countries are grouped into three clusters. Criteria for this categorisation are the absolute **gross domestic product (GDP) per capita** and the **accession date to the European Union**:

- **Western Member States** (Western MS): Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Luxembourg, The Netherlands, Sweden and UK;
- **Southern Member States** (Southern MS): Cyprus, Greece, Italy, Malta, Portugal and Spain;
- **Eastern Member States** (Eastern MS): Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and Croatia.

This methodology was followed by *WIK Consult*, in the Study on the Main developments in the postal sector (2010–2013).

The Postal Services Directive requires that Member States set national **quality of-service standards** in order to ensure a postal service of **acceptable quality**. Quality standards focus predominantly on **domestic transit (routing) times**, i.e. the time needed for postal items to arrive at their final destination.

The charts above present the countries' performance in relation to the **domestic transit time for priority mail**. It also shows the **targets** that are fixed by the Member States individually. In short, this indicator measures the percentage of priority mail which is effectively delivered within the next working day, within the same country.

Most **Western and Southern** European countries deliver their priority mail in less than 1 working day in 90 % of the cases. However, the performance of most **Eastern European** countries varies. Although some have significantly improved their performance over the last years, in others the quality still remains challenged. However, as a general trend, we can observe that in principle quality of service, when measured as a percentage of letters sent within the next day from the day of their dispatch, is steadily improving.

Poland and **Romania** are far from reaching their national targets and are far below the European average, although Poland has improved its performance over the last couple of years. In 2012, **Bulgaria's** performance has dropped significantly.

We note that data on performance within the next working day is unavailable for **Spain** (except for 2011), because in Spanish legislation 'delivery within the third working day' is set as a standard for key performance of domestic transit time.

Romania and Ireland have not published the indicator on delivery of the next working day for 2012.

Priorities

- The Commission will continue to closely monitor Member State's performance.
- The Commission will engage in a direct dialogue with Member States and with National Regulatory Authorities to ensure that data of good quality capable to monitor postal market's performance will be collected and analysed.
- The Commission will engage in dialogue with postal operators with relation to the parcel markets in particular, to ensure that data of good quality are equally collected and analysed.