FLASH OF THE ERGP REPORT ON CORE INDICATORS FOR MONITORING THE EUROPEAN POSTAL MARKET

I. BACKGROUND

National Regulatory Authorities (NRAs) should have accurate and relevant information about the postal market and its developments to ensure that they perform properly their regulatory duties, specifically the obligations that arise from the Postal Services Directive.

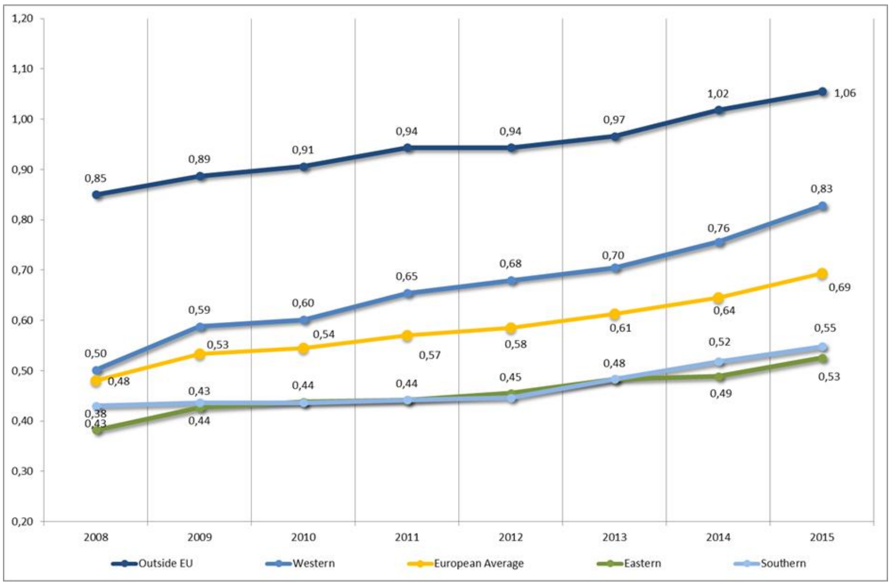
The European Regulators Group for Postal Services (ERGP) considers important to provide information about the postal market developments of the ERGP Member countries. In this context, ERGP drafted a report on core indicators for monitoring the European postal market, with data referring to the period from 2008 to 2015, with information made available by 33 ERGP members. The objective of this report is to provide information about core indicators of the European postal market as well as to identify trends and the main market developments. The report presents indicators for the following categories: market outcomes, market structure, volumes, revenues, employment and postal network.

The aim of the flash is to highlight some of the conclusions and synthesise the key findings of the report, namely the main postal market developments in the last recent years[1].

II. MARKET OUTCOMES: PRICES

In 2015, the European average price of a domestic priority letter of the 1st weight step was €0.69, which represents a 6.3% annual price variation between 2008 and 2015. In this period, the highest price increase occurred in the Western countries and the lowest in the countries outside EU. Furthermore, the average domestic priority letter prices of both Western and non-EU countries seem to converge.

Figure 1 – Average price of posting a domestic priority letter (1st weight step) – euros

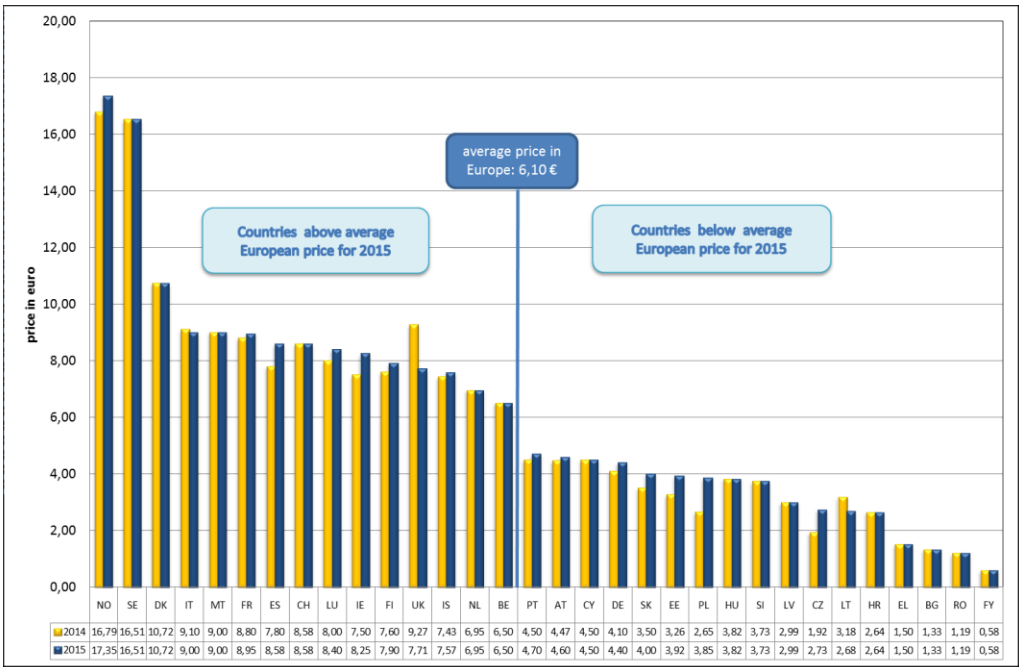


Source: Figure 12 of the ERGP report on core indicators.
Clusters: Countries Outside the EU: CH, FY, IS, NO; Western Countries: AT, BE, DE, DK, FI, FR, IE, LU, NL, SE, UK; Southern Countries: CY, EL, IT, MT, PT; Eastern Countries: BG, CZ, EE, HR, HU, LT, LV, PL, RO, SI, SK

[1] Please note that the flash does not substitute the report, which include all the methodological notes, sources of data and references. Therefore, you should always refer to the report to have a complete picture about the European postal market and also to have all the methodological notes. The report is available at ***LINK***.

Looking at the price of a domestic parcel, the European average price for posting a domestic parcel provided by the USP/incumbent was €6.10, a 4.1% annual nominal price variation between 2013 and 2015.

Figure 2 – Price for posting a domestic 2kg priority parcel in 2014 and 2015

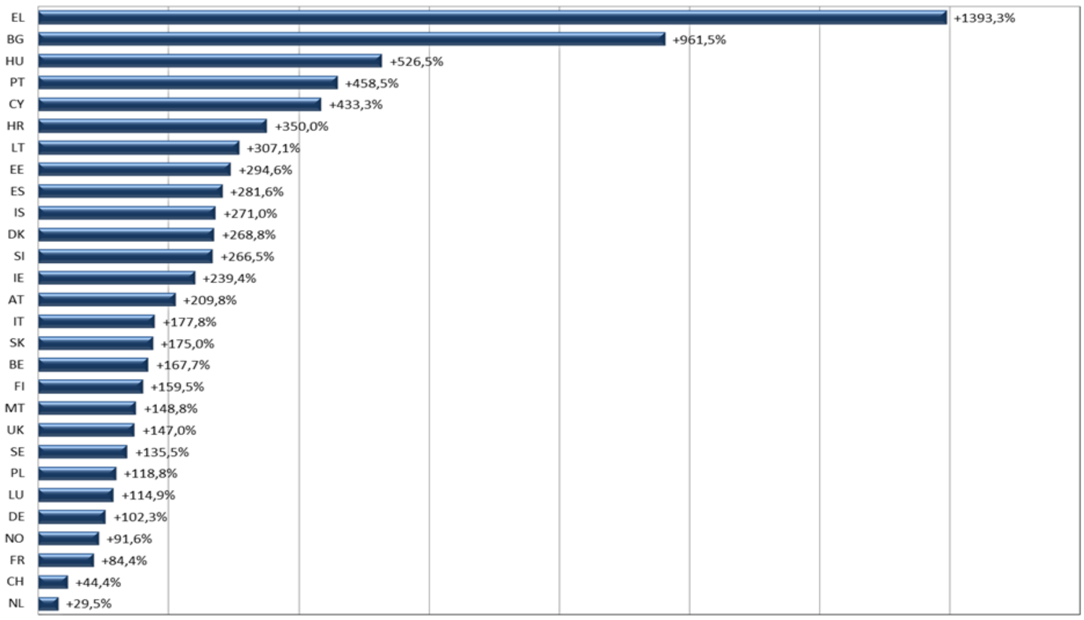


	NO	SE	DK	IT	MT	FR	ES	CH	LU	IE	FI	UK	IS	NL	BE	PT	AT	CY	DE	SK	EE	PL	HU	SI	LV	CZ	LT	HR	EL	BG	RO	FY
2014	16,79	16,51	10,72	9,10	9,00	8,80	7,80	8,58	8,00	7,50	7,60	9,27	7,43	6,95	6,50	4,50	4,47	4,50	4,10	3,50	3,26	2,65	3,82	3,73	2,99	1,92	3,18	2,64	1,50	1,33	1,19	0,58
2015	17,35	16,51	10,72	9,00	9,00	8,95	8,58	8,58	8,40	8,25	7,90	7,71	7,57	6,95	6,50	4,70	4,60	4,50	4,40	4,00	3,92	3,85	3,82	3,73	2,99	2,73	2,68	2,64	1,50	1,33	1,19	0,58

Source: Figure 21 of the ERGP report on core indicators.

The average price for posting an international parcel provided by the USP within Europe was €19.54. The average annual nominal price variation for the international parcel increased at a lower rate that for the domestic parcel (1.8% each year between 2013 and 2015). Furthermore, we conclude that there is a high difference between the international priority parcel post and the domestic for some countries. The international priority parcel is, on average, about 215% more expensive than a domestic priority parcel.

Figure 3 – Price difference between international prority and domestic priority parcels in 2015 (%)



Source: Figure 23 of the ERGP report on core indicators.

III. MARKET STRUCTURE

Looking at both the Herfindahl-Hirschman index (HHI) and the number of PSP with more than 1% of the postal market, we can conclude that the European postal market is highly concentrated. Nevertheless, there are sine signs of emergence of competition in the European postal market, as there is a discreet increasing trend in the number of operators with more than 1% of market share.

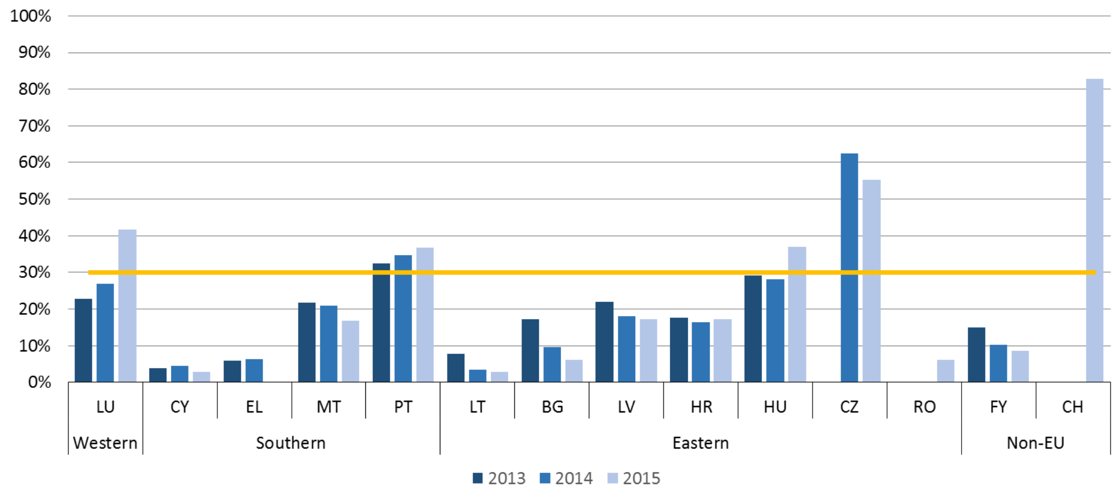
Figure 4 - Number of postal service providers with more than 1% of the postal market

		>1% - Based on volumes					>1% - Based on revenues				
		2013	2014	2015	2015/13	Trend	2013	2014	2015	2015/13	Trend
AT	Austria	2	2	2			8	7	7	-13%	-
BE	Belgium	n.a.	n.a.	n.a.			7	7	n.a.		
BG	Bulgaria	18	16	17	-6%		18	16	17	-6%	
HR	Croatia	5	5	5			8	8	9	13%	-
CY	Cyprus	15	16	16	7%		15	16	16	7%	
CZ	Czech Republic	2	4	4	100%	+	2	4	5	150%	+
DK	Denmark	2	6	6	200%	+	n.a.	n.a.	n.a.		
EE	Estonia	4	4	4			9	10	12	33%	+
FI	Finland	1	1	1			1	1	1		
FR	France	1	1	n.a.			1	1	n.a.		
FY	FYROM	4	4	6	50%	+	7	8	10	43%	+
DE	Germany	12	12	n.a.			12	12	n.a.		
EL	Greece	6	6	6			9	9	9		
HU	Hungary	12	2	1	-92%	-	8	10	9	13%	+
IS	Iceland	4	4	4			4	4	4		
IT	Italy	4	6	8	100%	+	9	9	10	11%	+
LV	Latvia	17	17	15	-12%	-	12	11	10	-17%	-
LT	Lithuania	9	8	8	-11%	-	13	12	11	-15%	-
MT	Malta	1	2	2	100%	+	8	7	5	-38%	-
NL	Netherlands	2	2	2			2	2	3	50%	+
PL	Poland	6	7	8	33%	+	12	13	15	25%	+
PT	Portugal	1	2	2	100%	+	13	10	9	-31%	-
RO	Romania	n.a.	n.a.	10			n.a.	n.a.	12		
RS	Serbia	4	4	4			7	7	8	14%	+
SK	Slovakia	5	6	7	40%	+	11	10	10	-9%	
SI	Slovenia	8	2	n.a.			7	11	n.a.		
ES	Spain	2	2	2			2	2	2		
SE	Sweden	2	2	2			2	2	2		
CH	Switzerland	5	5	5			6	6	7	17%	-
UK	United Kingdom	1	2	1			2	2	1	-50%	-

Source: Figure 25 of the ERGP report on core indicators.
Trend is - or + if the change from 2013 to 2015 is >10%.

Regarding universal service providers' (USP) market shares, the USPs continue to maintain high market shares for letters (87% on average for the volumes in 2015) and for the non-express market (70%). For the parcels and express segment, however, the USPs' volume market shares are much lower: 30% and 20%, on average, respectively, in 2015. In general, the USP lost market share for the parcel segment between 2013 and 2015, but there are some exceptions.

Figure 5 – USP Volume share for parcels



Source: Figure 27 of the ERGP report on core indicators.

IV. VOLUMES

Between 2013 and 2015, for the countries that provided a consistent set of data in that period, the total number of postal objects decreased on average 4.3%/year. This decrease is driven by letters mail that decreased 4.6%/year, on average.

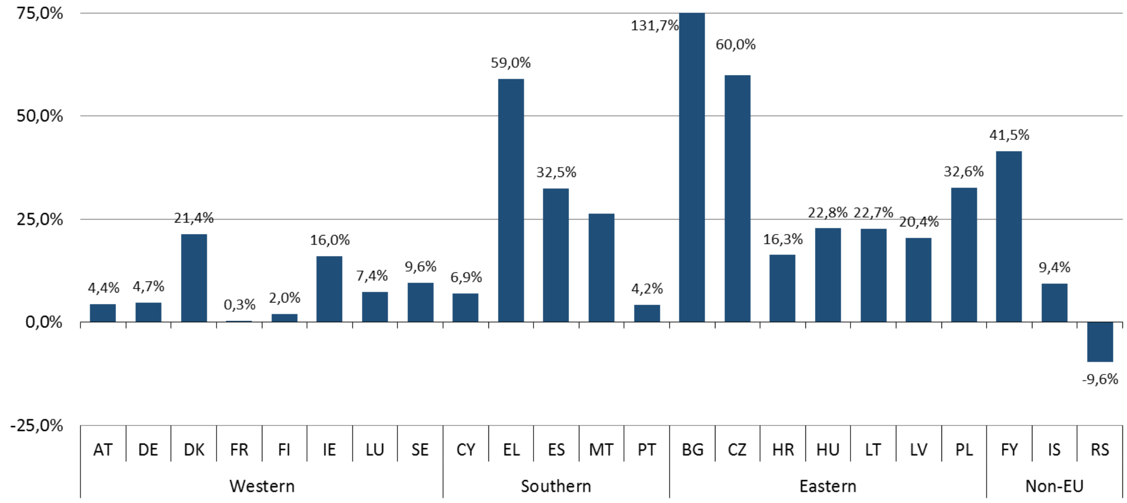
Figure 6 – Total postal volumes: annual average change (2013-2015)

	Annual average change[1]
1. Total Postal Volumes	-4.3%
1.1 Total Letters Volumes	-4.6%
1.2 Total Parcel Volumes	6,9%

Source: ERGP data
Total postal volumes include national and international outbound traffic.
[1] For the countries that provided a consistent set of data between 2013 and 2014: All, with the exception of CH, DE, NO and RO. For NL and UK the data is only for letters.

The parcels segment increased 6.9% on average each year. All the countries had an increase in the parcel volumes with the exception of Serbia.

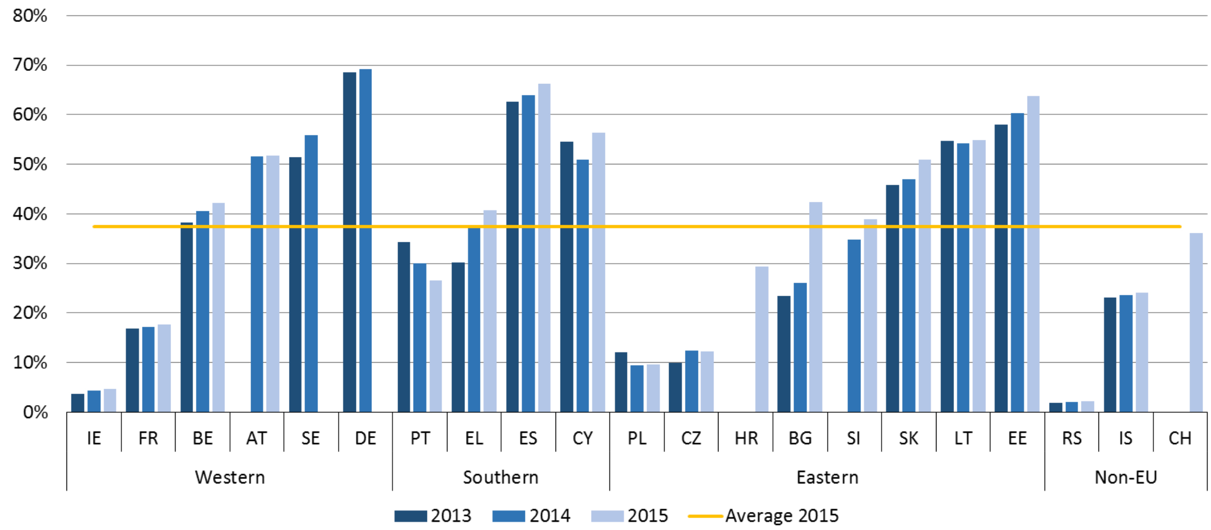
Figure 7 – Total postal volumes: annual average change (2013-2015)



Source: Figure 40 of the ERGP report on core indicators.
Not shown on chart due to unavailability of data: NL, UK, RO, CH, NO. Data for BE, IT, EE, SK and SI is confidential. For AT and FI is the variation between 2014 and 2015. For DE, LU between 2013 and 2014. Average for all the countries that provided data, including confidential data.

As letter volumes decline and parcel volumes increase, the proportion of total mail volume accounted for by parcels increases. In 2015 the average proportion of parcels in total mail volume was 6.7% while in 2013 was 5.2%. Although in each of the NRAs that have been able to provide data, parcels account for less than a fifth of total volume, all the countries have seen an increase with the exception of Greece and France. The greater value, and cost, of parcels is evident in the difference between the share that parcels have of total volume and the share that they have of total revenue. For all the countries that provided both data on the proportion of parcels for the total mail volume and revenue, as expected, the proportion is much higher in terms of revenue. In 2015, the average proportion of parcels in total mail revenue was 37.4%, a proportion that is increasing (was 34.8% in 2013). In Austria, Germany, Spain, Cyprus, Slovakia, Lithuania and Estonia parcels account for over 50% of total mail revenue.

Figure 8 – Proportion of parcels in total mail revenue



Source: Figure 40 of the ERGP report on core indicators.
Not shown on chart due to unavailability of data: DK, UK, HU, LV, RO, FY, NO
Data for IT and MT is confidential

V. REVENUES

The total revenues decreased 0.3% between 2013 and 2015, resulting from the significant decrease in the letters segment, which is not compensated by the high increase of the parcels segment.

Figure 9 – Total postal revenues: annual average change (2013-2015)

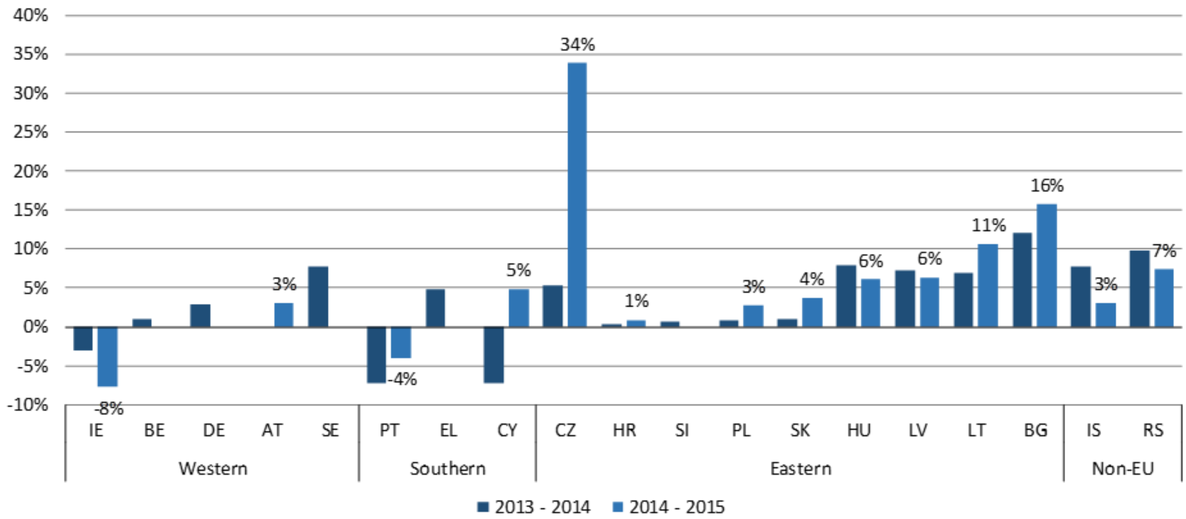
	Annual average change[1]
1. Total Postal Revenues	0.3%
1.1 Total Letters Revenues	-1.8%
1.2 Total Parcel Revenues	5,1%

Source: ERGP data
[1] For the countries that provided a consistent set of data between 2013 and 2015: AT, BE, FR, IE, NL, SE, UK, CY, EL, ES, IT, MT, PT, BG, CZ, EE, LT; PL, SI, SK, IS, RS. For NL is only letters domestic and UK for letters.

In the Eastern and Non-EU clusters of countries, total revenues have increased in both 2014 and 2015. The growth is particularly notable in the Czech Republic, where revenues increased by 34% between 2014 and 2015.

Among the Western and Southern countries, the picture is a little more mixed with some seeing a decline in revenue, such as Portugal, and others seeing growth.

Figure 10 – Total postal revenue year on year changes: 2013-2015



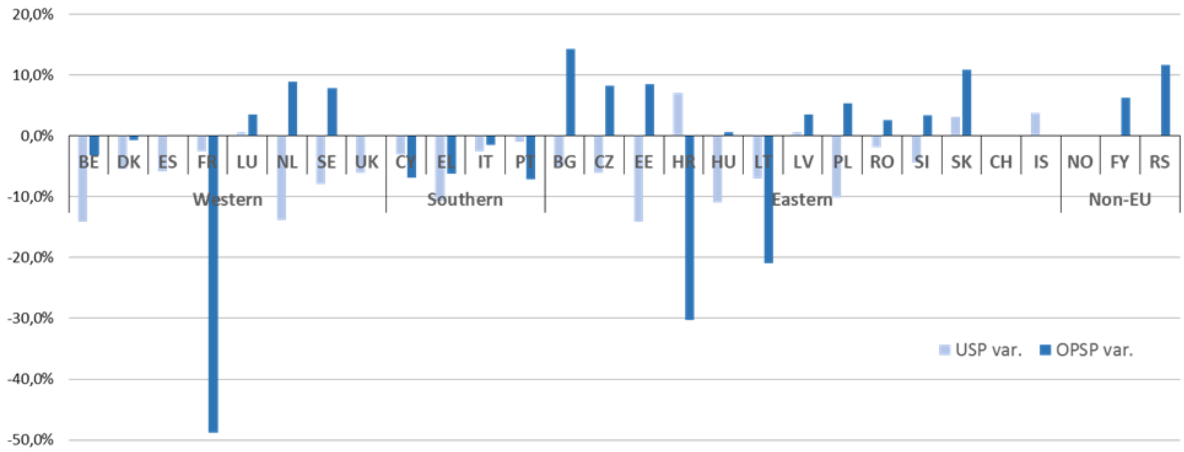
Source: Figure 58 of ERGP Core Indicators report.
Data for IT, MT and EE are confidential
Data for IE is universal postal service.

VI. EMPLOYMENT

The total number of people employed by USPs and by other postal providers in ERGP countries has decreased between 2008 and 2015.

Between 2013 and 2015, the decrease in the total employment is mainly due to the decrease in the USP employment (average decrease of -4.7%), while there was an average increase of 3.5% on the employment of the other postal providers. Nevertheless, the variation in the number of OPSP employees is more heterogeneous as some countries observed a significant decrease (being the French the most expressive example with a decrease of -48.8%) while others an increase (namely Bulgaria with a 14.3% increase). Slovakia was the only country that had an increase in both USP and OPSP employment.

Figure 11 – Total employment variation by the USP and other postal providers: 2013-2015



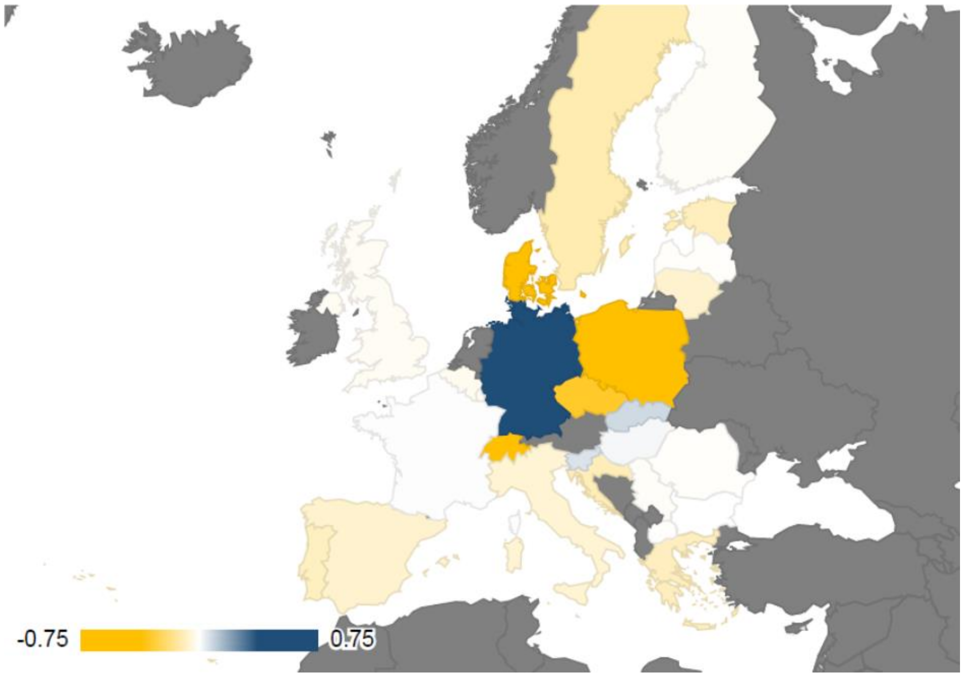
Source: Figure 70 of ERGP Core Indicators report.
For DK, FR and SE is the variation between 2013 and 2014 and for RO between 2014 and 2015. The data for Malta and Austria is confidential.

VII. POSTAL ESTABLISHMENTS

There has been a continued increase in the number of postal establishments operated by other postal service providers since 2008. For the countries that were able to provide data for both USP and other postal providers, the decline in USP postal establishments appears to be stabilising from 2014 to 2015.

In the majority of ERGP countries, the number of USP postal establishments has decreased since 2011, with the exceptions of Slovakia, Malta and Hungary (1%). In Romania, France and Bulgaria the number of establishments has remained broadly the same during this period.

Figure 12 – Overall percentage change in the number of USP postal establishments: 2011-2015



Source: Figure 75 of ERGP Core Indicators report.