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.

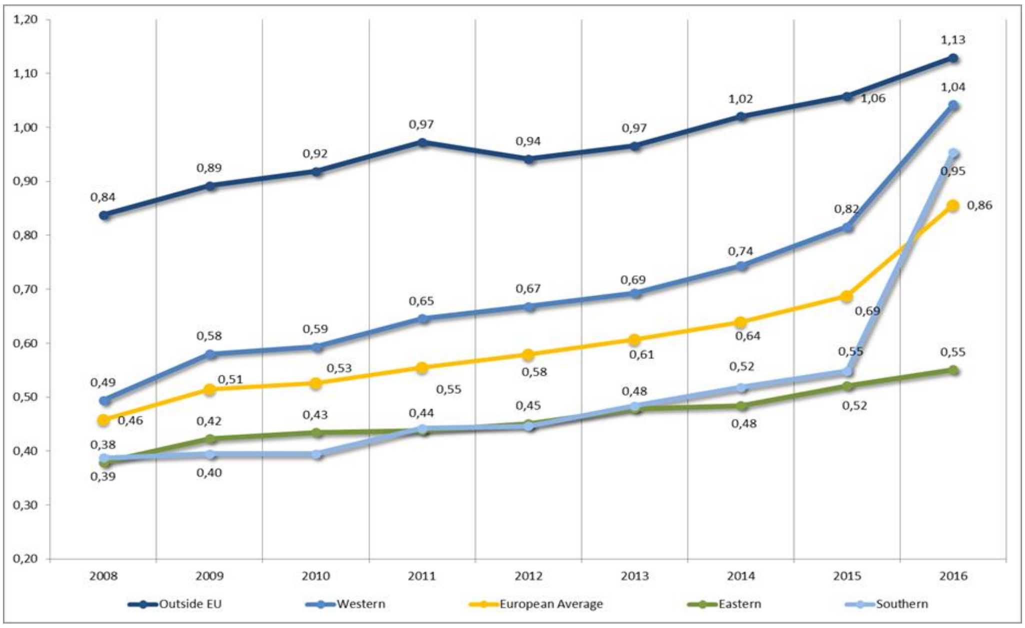
The European Regulators Group for Postal Services (ERGP) considers important to provide information about the postal market developments of the ERGP Member countries. In this context, ERGP drafted a report on core indicators for monitoring the European postal market, with data referring to the period from 2008 to 2016, 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 2016, the European average price of a domestic priority letter of the 1st weight step was €0.86, which represents a 9.4% annual price variation between 2008 and 2016. In this period, the highest price increase occurred in the Southern countries and the lowest in the countries outside EU.

Figure 1 – Average price of posting a domestic priority letter (20 grams) – euros

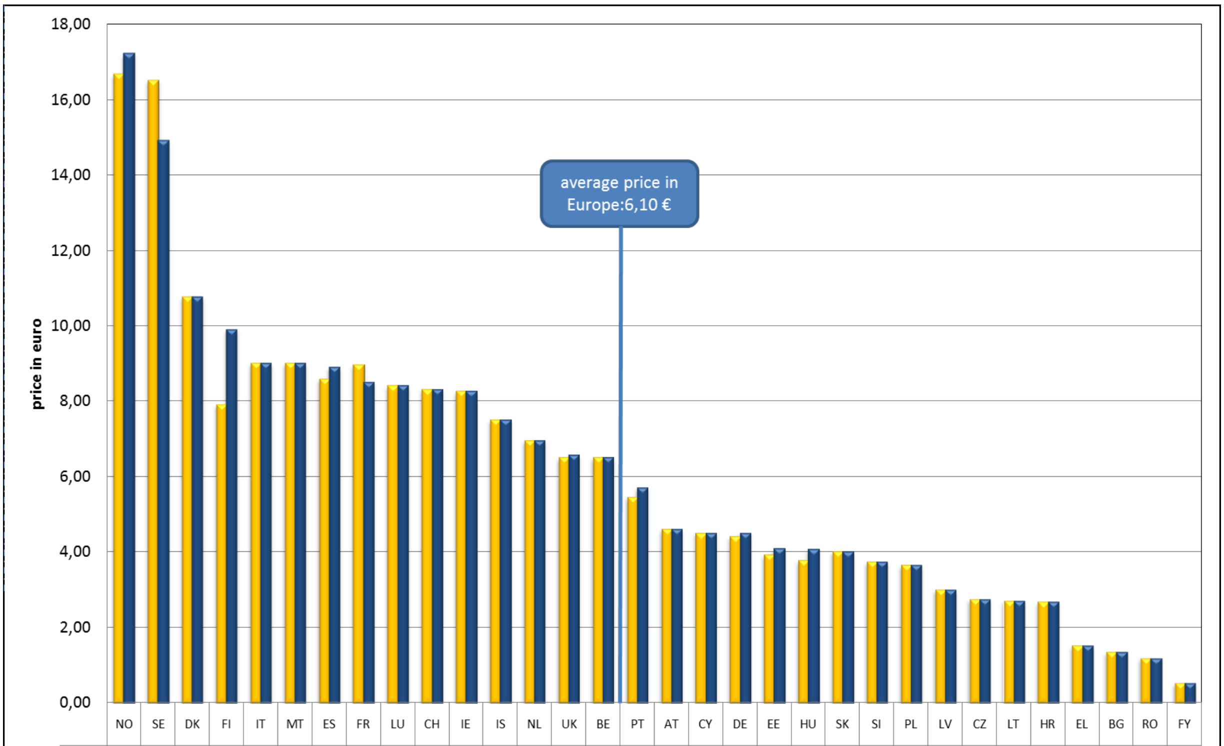


Source: Figure 1 of the ERGP report on core indicators.
Clusters: Countries Outside the EU: CH, FY, IS, NO; Western Countries: AT, BE, DE, DK, FI, FR, IE, LU, NL, SE, UK; Southern Countries: CY, EL, IT, MT, PT; Eastern Countries: BG, CZ, EE, HR, HU, LT, LV, PL, RO, SI, SK

[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 http://ec.europa.eu/growth/sectors/postal-services/ergp.

Looking at the price of a domestic parcel provided by the USP, the European average price was €6.1, a 3.2% annual nominal price variation between 2013 and 2016.

Figure 2 – Price of posting a domestic 2kg priority parcel in 2015 and 2016



	NO	SE	DK	FI	IT	MT	ES	FR	LU	CH	IE	IS	NL	UK	BE	PT	AT	CY	DE	EE	HU	SK	SI	PL	LV	CZ	LT	HR	EL	BG	RO	FY
2015	16,67	16,51	10,76	7,90	9,00	9,00	8,58	8,95	8,40	8,31	8,25	7,50	6,95	6,50	6,50	5,45	4,60	4,50	4,40	3,92	3,76	4,00	3,73	3,64	2,99	2,73	2,68	2,66	1,50	1,33	1,17	0,52
2016	17,21	14,91	10,76	9,90	9,00	9,00	8,90	8,50	8,40	8,31	8,25	7,50	6,95	6,56	6,50	5,70	4,60	4,50	4,50	4,08	4,08	4,00	3,73	3,64	2,99	2,73	2,68	2,66	1,50	1,33	1,17	0,52

Source: Figure 10 of the ERGP report on core indicators.

The average price for posting an international 2 kg parcel provided by the USP within Europe was €18.35. The average annual nominal price variation for the international parcel increased at a lower rate that for the domestic parcel (0.4% each year between 2013 and 2016). 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 200% more expensive than a domestic priority parcel.

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 an increasing trend in the number of operators with more than 1% of market share. On a European scale, in 2016, the number of postal service providers has increased by 527 providers as compared to 2013.

Figure 3 - Number of postal service providers with more than 1% of the postal market

		2013	2014	2015	2016	Dif. 2016-2013	2016 Express (E)	2016 Non Express (NE)	2016 E & NE
AT	Austria	19	19	20	20	1	n.a.	n.a.	n.a.
BE	Belgium	700	700	700	700		n.a.	n.a.	n.a.*
BG	Bulgaria	124	139	146	152	28	145	1	6*
CH	Switzerland	124	140	157	165	41	n.a.	n.a.	n.a.
CY	Cyprus	21	20	20	20	-1	19	1	20*
CZ	Czech Republic	16	20	20	24	8	0	0	24*
DE	Germany	13600	13600	13600	13600		n.a.	n.a.	n.a.
DK	Denmark	8	11	12	12	4	n.a.	n.a.	n.a.*
EE	Estonia	30	29	27	28	-2	25	1	2*
EL	Greece	397	404	459	459	62	447	11	1*
ES	Spain	1429	1418	1533	1480	51	1065	92*	323
FI	Finland	1	1	1	1		0	0	1
FR	France	33	35	39	40	7	n.a.	n.a.	n.a.
FY	FYROM	23	25	26	26	3	25	0	1
HR	Croatia	23	21	22	23		16	2	5*
HU	Hungary	137	178	181	194	57	192	1	1*
IE	Ireland	6	7	8	10	4	n.a.	n.a.	n.a.
IS	Iceland	4	4	4	4		0	3	1*
IT	Italy	2517	2469	2519	2776	259	n.a.	n.a.	n.a.
LT	Lithuania	59	56	47	53	-6	6	0	47
LU	Luxembourg	21	22	25	25	4	n.a.	n.a.	n.a.*
LV	Latvia	59	61	67	67	8		2	65*
MT	Malta	21	23	24	26	5	23	0	3*
NL	The Netherlands	116	114	118	114	-2	n.a.	n.a.	n.a.
NO	Norway	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.	n.a.
PL	Poland	161	166	172	151	-10	78	53	20*
PT	Portugal	67	68	70	67		57	8	2*
RO	Romania	238	237	236	236	-2	10	195	38
RS	Serbia	47	42	36	54	7	53	0	1*
SE	Sweden	326	339	339	339	13	311	27	1*
SI	Slovenia	16	17	17	14	-2			2
SK	Slovakia	22	20	20	22		17	4	1*
UK	United Kingdom	28	23	23	18	-10	0	0	23*
Total		20393	20428	20688	20920	525	2489	309	412

Source: Figure 13 of the ERGP report on core indicators.
Trend is - or + if the change from 2013 to 2016 is >10%.

Regarding universal service providers' (USP) market shares, the USPs continue to maintain high market shares for letters (85% on average for the volumes in 2016) and for the non-express market (92%). For the parcels and express segment, however, the USPs' volume market shares are much lower: 4% and 9%, on average, respectively, in 2016. In general, the USP lost market share for the parcel segment between 2013 and 2015, but there are some exceptions.

IV. VOLUMES

Between 2013 and 2016, for the countries that provided a consistent set of data in that period, the total number of postal objects decreased on average 2.3%/year. This decrease is driven by letters mail that decreased 4.7%/year, on average, which has not been compensated by the increase in the parcels volumes (23.6% on average/year).

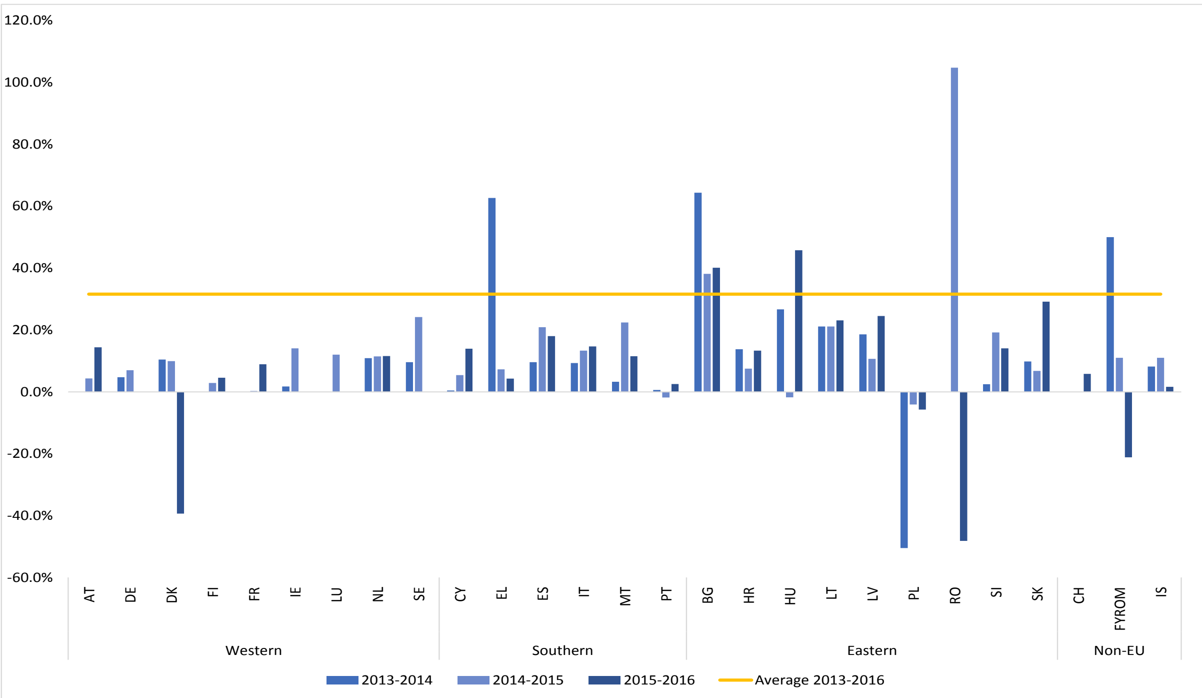
Figure 4 – Total postal volumes: annual average change (2013-2016)

	Annual average change
1. Total Postal Volumes	-2.3%
1.1 Total Letters Volumes	-4.7%
1.2 Total Parcel Volumes	23,6%

Source: ERGP data

The parcel market kept its positive outcome between 2013 and 2016, pushed by the increase registered in Czech Republic (240.2%), due to the entrance of a new provider in the market. However, when comparing 2013 to 2016, Poland kept an average annual downward trend of 20.1%.

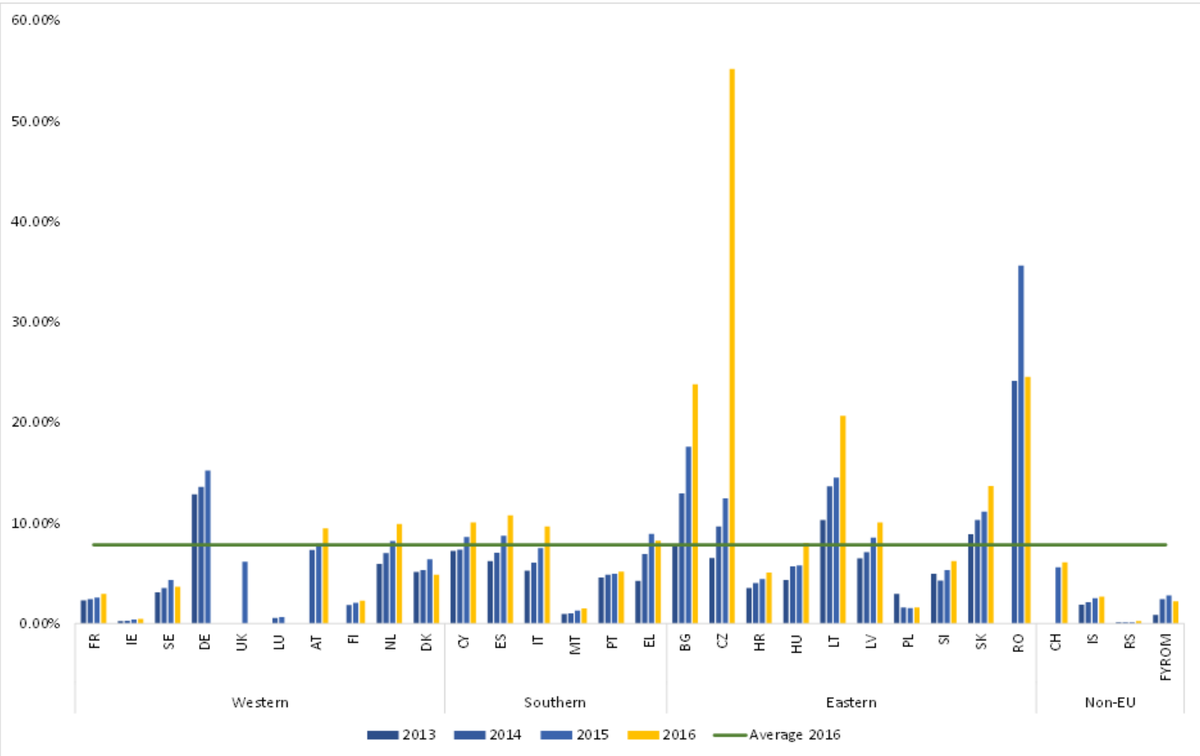
Figure 5 – Total parcell volumes: annual average change



Source: Figure 32 of the ERGP report on core indicators.

As letter volumes decline and parcel volumes increase, the proportion of total mail volume accounted for by parcels increases. In 2016 the average proportion of parcels in total mail volume was 7.7% while in 2013 was 6.0%. For the majority of the countries, parcels contribute to less than 10% but this is not the case for Bulgaria, Slovakia, Lithuania, Romania and Czech Republic. 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 2016, the average proportion of parcels in total mail revenue was 35%, a proportion that is increasing (was 30% in 2013). In Germany, Spain, Cyprus and Italy parcels account for over 60% of total mail revenue.

Figure 6 – Proportion of parcels in total mail volume



Source: Figure 34 of the ERGP report on core indicators.

V. REVENUES

The total revenues increased 0.9% between 2013 and 2016, resulting from the decrease in the letters segment (-1.8% average for each year), which was compensated by the increase of the parcels segment (5.6%.

Figure 7 – Total postal revenues: annual average change (2013-2016)

	Annual average change
1. Total Postal Revenues	0.9%
1.1 Total Letters Revenues	-1.8%
1.2 Total Parcel Revenues	5,6%

Source: ERGP data

Apart from the Non-EU and the Western group, there is a mix of revenue fluctuations. The Non-EU countries reporting increases from year to year while for the Western further drops. For the Southern cluster, Portugal kept on registering drops in revenues but Cyprus and Spain kept increasing.

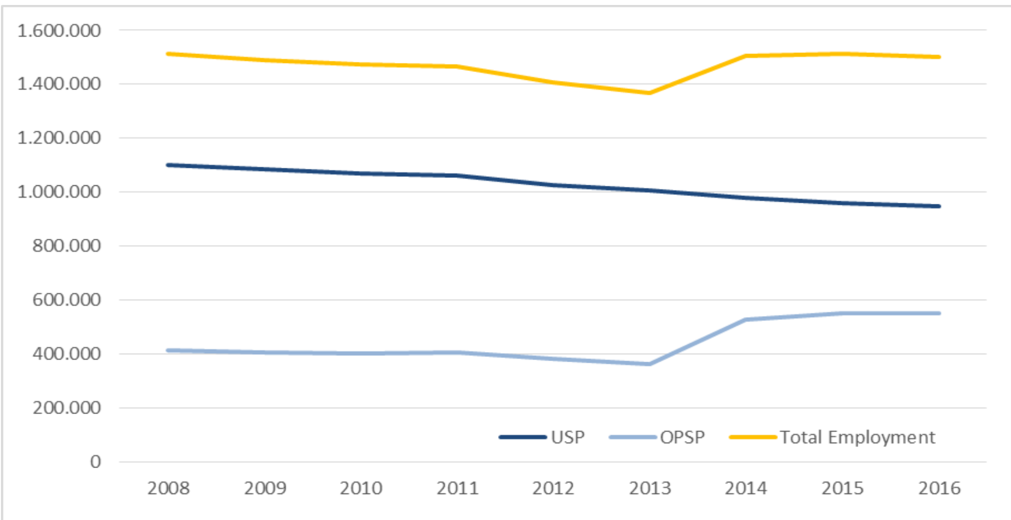
Figure 8 – Total postal revenue year on year changes: 2013-2015

Source: Figure 49 of ERGP Core Indicators report.

VI. EMPLOYMENT

The total number of people employed by USPs and by other postal providers in ERGP countries has decreased 0.7% between 2008 and 2016. There has been a decline of 13.8% in the USP employees and a 34.1% increase in the number of people employed by the other postal providers. As a result the share of the USP employment on total employment decreased from 73% to 63% between 2008 and 2016.

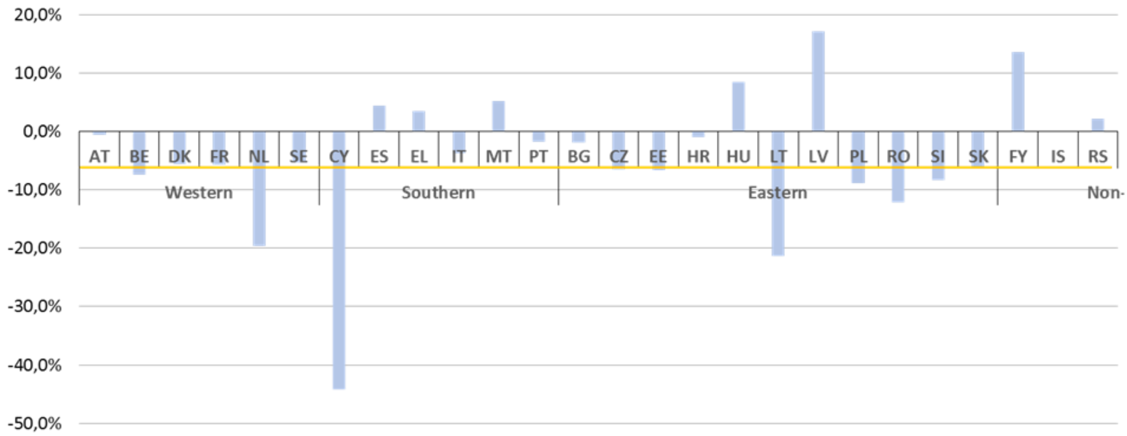
Figure 9 – Total employment by the USP and other postal providers (number of people employed): 2008-2016



Source: Figure 63 of ERGP Core Indicators report.

Between 2013 and 2016, total employment decreased on average 4.3%. For the majority of the countries there was a decrease in the employment, with some exceptions, namely Latvia, FYROM, Hungary, Malta, Spain, Greece, Serbia and Luxembourg.

Figure 10 – Total employment variation by the USP and other postal providers: 2013-2016

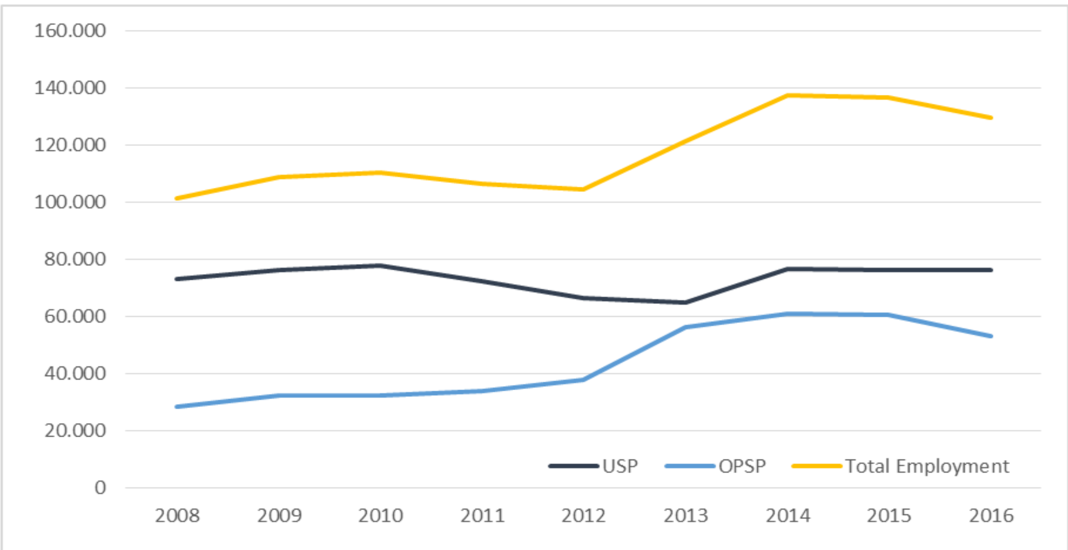


Source: Figure 64 of ERGP Core Indicators report.

VII. POSTAL NETWORK

As to the postal establishments' indicators, between 2008 and 2016 the total number of postal establishments increased on average 3.1% each year, as a result of an average increase of 0.6% each year of the number of USP establishments, while the number of postal establishments of the other postal providers increased 8.2% each year on average. There has been a continued increase in the number of postal establishments operated by other postal service providers from 2008 to 2014, followed by a decrease between 2015 and 2016 that was mainly due to the decrease in the number of these establishments in Poland.

Figure 11 – Total number of postal establishments by USP and other postal providers: 2008-2016



Source: Figure 69 of ERGP Core Indicators report.