

ASSESSMENT OF ITALIAN CROSS-BORDER TARIFFS, SINGLE-PIECE PARCELS, IN ACCORDANCE WITH REGULATION (EU) N. 2018/644 – YEAR 2024.

1. Introduction

Pursuant Article 6 of the EU Regulation n. 2018/644 (here named also as “the Regulation”), NRAs shall assess cross-border tariffs of single-piece items falling in the scope of USO in order to evaluate their affordability.

To this respect, AGCOM implemented a 2-step analysis:

- firstly, the EC pre-assessment filter mechanism has been applied to identify tariffs that are potentially high and need a further assessment (par. 2 of the document);
- secondly, the assessment of those tariffs (par. 3) has been performed, considering the other elements stated in Articles 6 (2), (3) of the Regulation (e.g., domestic and any other relevant tariffs of the comparable parcel delivery services, the application of uniform tariffs to two or more Member States (MS), the amount of bilateral volumes as well as specific transportation or handling costs).

For the year 2024, the assessment concluded that the cross-border tariff highlighted by the pre-filter mechanism cannot be considered unreasonably high.

2. Identification of tariffs for the assessment (Article 6 (1) of the Regulation)

Tariffs collected in the EC PARCEL *website*, pursuant Art. 5 of the Regulation, have been classified according to the guidance provided by the ERGP Report¹ of December 2021 on the implementation of the Regulation, specifically at pagg. 29-32² and pagg. 34-38³.

For the year 2024, the EC pre-filter identifies the highest 15% tariffs for each of the categories listed in the Annex of the Regulation, corrected according to purchasing-power parities (PPP) as laid down from Eurostat⁴.

Through the application the EC pre-assessment filter on the Italian tariffs, the below product has been selected and, pursuant Article 6 (2), (3) of the Regulation, hereinafter it has been evaluated whether its price is “*unreasonably high*”.

Table 1 – Italian cross-border tariffs indicated by the pre-filter mechanism (15% highest)

Product	Tariff	Destination
2 kg track and trace parcel	35,15 €	IS (Iceland), NO (Norway)

Source: data provided by PI according to Art.5 of the Regulation

¹ Report on the Cross Border Regulation implementation ERGP PL II (21) 20:

<https://ec.europa.eu/docsroom/documents/48202>

² “Therefore, parcels with a track and trace functionality should be reported exclusively in the track and trace categories (i.e. categories, m, n and o). The standard parcel categories of the Annex (i.e. categories j, k and l) should contain only parcels without a track and trace functionality. This should in the same way apply to letter categories, i.e. to report track and trace letters exclusively in the track and trace letter categories (i.e. categories g, h and l). The standard letter category (i.e. categories a, b and c) should contain only letters without a track and trace (or registered) functionality.”

³ “Therefore, in case a PDSP does not offer services with the weight limits for the lower weight categories, the respective fields should remain blank and not be filled in with other services having higher weight limits (e.g. 2 kg parcel instead of 1 kg parcel). In case the weight limits of a service do not match with those of the categories of the Annex, the PDSP should choose the highest applicable category (e.g. the 2 kg category if the service has a weight limit of 3 kg or the 5 kg category if the service has a weight limit of 8 kg). The same is applicable for letter categories. In case a PDSP offers also a service in a lower weight category, but the price for a service with a higher weight category is less expensive than that of the lower weight category (i.e. because of different QoS parameters), then the PDSP should choose the cheapest possible service.”

⁴ Until 2023, the threshold was 25% and now reduced to 15% in line with provision established by the Communication from the Commission on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263 (COM/2018/838 final) (page 5): “To counter the rigidity linked to a fixed percentage, it is appropriate to set a range of between 25 % and 5 % of the highest tariffs for each category, starting in the first 2 years with the highest percentage (i.e. 25%) and lowering the percentage progressively.”. To this respect, the ERGP also recommended the EC, on 2021 (ERGP PL 21 4 - ERGP Input on a possible reduction of the percentage of the pre-assessment filter mechanism), to reduce the percentage used in the mechanism.

3. Assessment of identified cross-border tariffs (Article 6 (2), (3) of the Regulation)

For the assessment of the cross-border tariffs of the Italian designated operator (the USP, Poste Italiane S.p.A.) have been taken into account the four comparison elements provided by the guidelines of the EC Communication of December 2018, as follow.

i. “the domestic and any relevant tariffs of the comparable parcel delivery services in the originating Member State and in the destination Member State”

The tariff under assessment can be compared to (EU Communication n. 838/2018 - Section IV.2):

- a) the sum of the domestic tariff of the USP in the originating MS and the domestic tariff of the USP in the destination MS (primary comparison);
- b) the sum of the domestic tariff of the USP in the originating MS and the domestic tariff of a competitor providing interchangeable services in the destination MS (secondary comparison).

For the product (2Kg track and trace parcels) and destinations (Iceland, Norway) under evaluation, the PARCEL dataset:

- with regard to Iceland, it does not show originating tariffs, therefore the comparison is not possible;
- with regard to Norway, the sum of the domestic tariff of the USP in the originating MS and the domestic tariff of a competitor in the destination MS (secondary comparison) totals 41,14 euros, higher than the USP tariff under assessment (35,15 euros).

Moreover, the ratio between the cross-border price under assessment (35,15 euros) and the USP domestic price of the product (9,90 euros) is equal to 3,5. According to the study "Econometric Study on Cross-Border Prices" (Saint Louis University, 2015), the cross-border prices of US providers are often between 3 and 5 times higher than domestic prices. The ERGP 22 (13) report on the analysis of Article 6 of the RSPDS agrees that the threshold between 3 and 5 is reasonable, whereas a threshold higher than 5 would call for a more detailed analysis.⁵

Even if it is not mentioned in the EU Communication n. 838/2018, to have a full view of the circumstances, tariffs of Italian competitors have been examined too. In particular, comparing tariffs of 2Kg track and trace parcels with destination IS and NO of the Italian USP with the same (non-US) product of competitors, evidence show that competitors' tariffs are higher than the USP for both IS (in 3 cases out of 3) and NO (in 4 cases out of five). Furthermore, service characteristics of this parcel product do not seem comparable, as competitors' products are not in the US and have an *end-to-end* tracking due to their affiliation to global networks.

⁵ Available at: <https://ec.europa.eu/docsroom/documents/50715>

Price comparison, in the abovementioned terms, does not show evidence for unreasonably high tariff for 2Kg track and trace parcels destined to IS and NO, nevertheless hereinafter other elements have been considered according to EC Guidelines, such as, *inter alia*, volumes, cost elements and regulation.

ii. “any application of a uniform tariff to two or more Member States” and “bilateral volumes”

The Italian USP has, for the 2kg track and trace parcel product, 3 different tariffs: Iceland and Norway, Bulgaria and Cyprus, and all other EU MS.

Italian USP’s tariffs for 2kg track and trace parcel product are therefore pretty much uniform across Member States and those for IS and NO are nearly 6% higher than those for BG and CY and less nearly 17% higher than the baseline tariff for all other EU MS.

In this regard, a certain averaging takes place between different destinations and, therefore, between items with different cost structures.

On the cost’s side, the USP’s cost-accounting system does not distinguish costs according neither to the weight of the products nor for each specific destination, thus it is not possible to proceed with an analysis considering those characteristics.

Anyway, volumes of outbound parcel items for the product considered in this analysis are minimal (in the year 2023, to all EU destination, *[omissis]*: *[omissis]* of these parcel items are addressed towards Germany, France, and Spain, *[omissis]* to other 23 MS and less than *[omissis]* of the total have IS and NO as destination), and negligible is the level of 2 kg track and trace parcels delivered to IS and NO: *[omissis]* in the year 2023.

Figure 1 – 2 kg track and trace parcel items: volumes breakdown per destination (%).

[omissis]

Source: data provided by PI according to Art. 6(5) of the Regulation

iii. “Specific transportation or handling costs, other relevant costs and service quality standards” and “the likely impact of the applicable cross-border tariffs on individual and small and medium-sized enterprise”

The Italian USP 2kg track and trace parcel product tariffs depend on underlying costs.

Information provided to AGCOM by the USP show costs in the provision of outbound track and trace parcels services in their entirety since, as already mentioned, the

USP do not distinguish costs according to the weight or destination in its cost-accounting system for international parcels.

In particular, considering revenues and costs of the postal product under assessment (track and trace parcels), outbound services are at loss for the Italian USP: in 2023, outbound track and trace parcels exhibit an operating loss of [omissis] million of euros (it was [omissis] million of euros in 2022).

Transportation and terminal dues account for the [omissis] of total costs for the service under investigation.

Transportation costs for IS and NO, destinations highlighted in the pre-filter mechanism, are reached by airplane and through a transit in a third EU country, impacting on service provision costs. As a matter of fact, in 2023, for track and trace parcels product, countries reached only by road transportation for the delivery of the products are just [omissis] and [omissis] countries, including IS and NO, out of 28 are reached through a transit in a third EU country (Table 3).

Table 2 – Means of transportation (2023)

	Track and trace parcel
Volumes transported by airplane (%)	[omissis]
Volumes transported by road (%)	[omissis]

Source: data provided by PI according to Art. 6(5) of the Regulation.

Table 3 – Transit routes (2023)

	Track and trace parcel
Bilateral route with a transit (% of MS)	[omissis]
Direct route – no transit (% of MS)	[omissis]

Source: data provided by PI according to Art. 6(5) of the Regulation.

iv. “Whether tariffs are subject to a specific price regulation under national legislation”

Italian tariffs of US postal products shall be cost-oriented, according to Article 12 of the PSD and Article 13 of the Italian decree n. 261/99.

By decision n. 160/23/CONS, on 2023 AGCOM has allowed the last revision of US tariffs, following a request of the USP, to recover the increase of costs due to the increase of the inflation rate.

AGCOM allowed a general increase of US prices of 6,75%, to recover the inflation wave and to sustain a relation between US tariffs and their costs: for the outbound track and trace parcels product, in particular, in order to safeguard consumers, AGCOM allowed an increase of the tariffs by just 3,4% - below the mentioned average of 6,75% as well as of the inflation rate.

4. Conclusions

The analysis has considered the affordability of tariffs of US cross-border parcel services, that have been identified by the EC pre-assessment filter mechanism (par. 2), as “potentially high”.

Based on the elements stated in Article 6 (2), (3) of the Regulation n.644/2018, the 2 kg track and trace parcel tariff to IS and NO cannot be considered unreasonably high as:

- price comparison (based on EC Guidelines) does not provide such evidence;
- outbound volumes are negligible;
- transportation costs for the product considered are sensible, and for the destinations (IS and NO) under assessment, items are mostly delivered by airplane and through a transit in another MS;
- prices, on the basis of an AGCOM decision, increased +3,4% in 2023 compared to 2022, less than the inflation rate registered in Italy in the previous year and the average increase allowed for Universal services (6,75%).

Besides that, as prices for US services shall be cost oriented, it is likely that a reduction might averse principles stated in Article 12 of the PSD.

Having said that, there is no evidence to consider unreasonably high the Italian USP 2 kg track and trace parcel tariff to IS and NO.