

Assessing the Regulatory Path for the Parcel Market in the EU

Critical Examination

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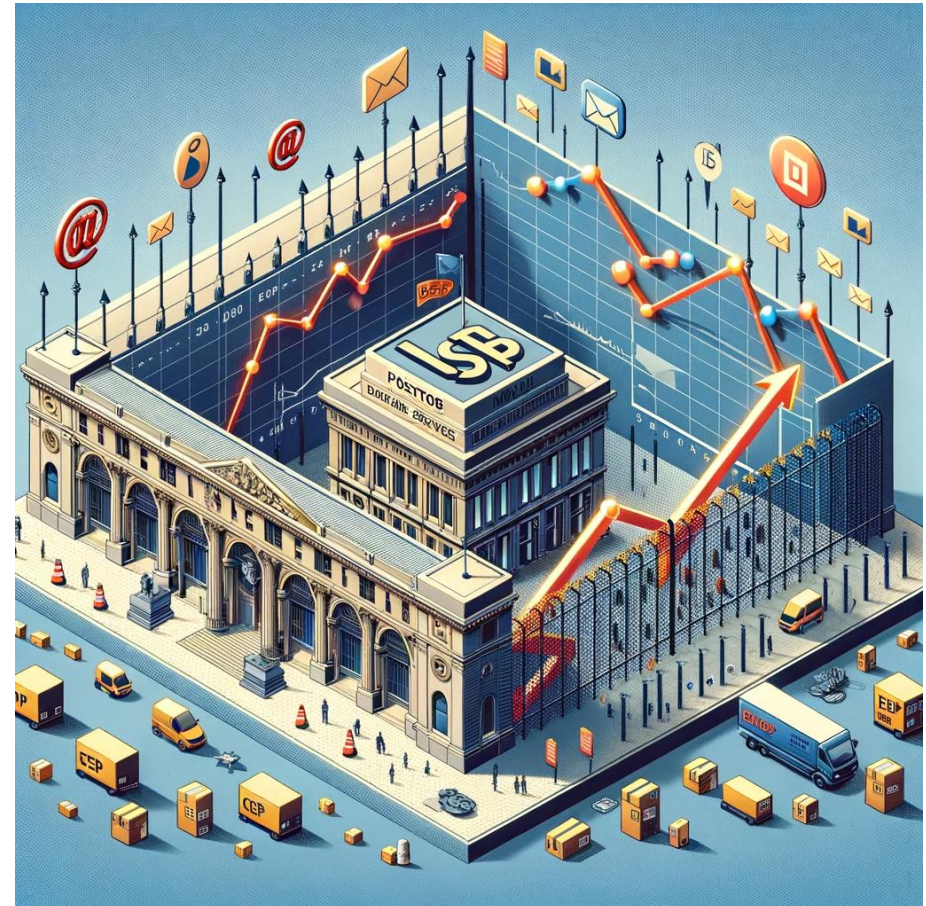


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Introduction to the postal market...

The EU postal markets consist of two major segments:

- **Traditional (mail)** – it is highly regulated with a USP as the central element of the segment.
- **Alternative (CEP)** – it is a free market with very strong competition. Almost complete absence of any regulatory power from the NRA.

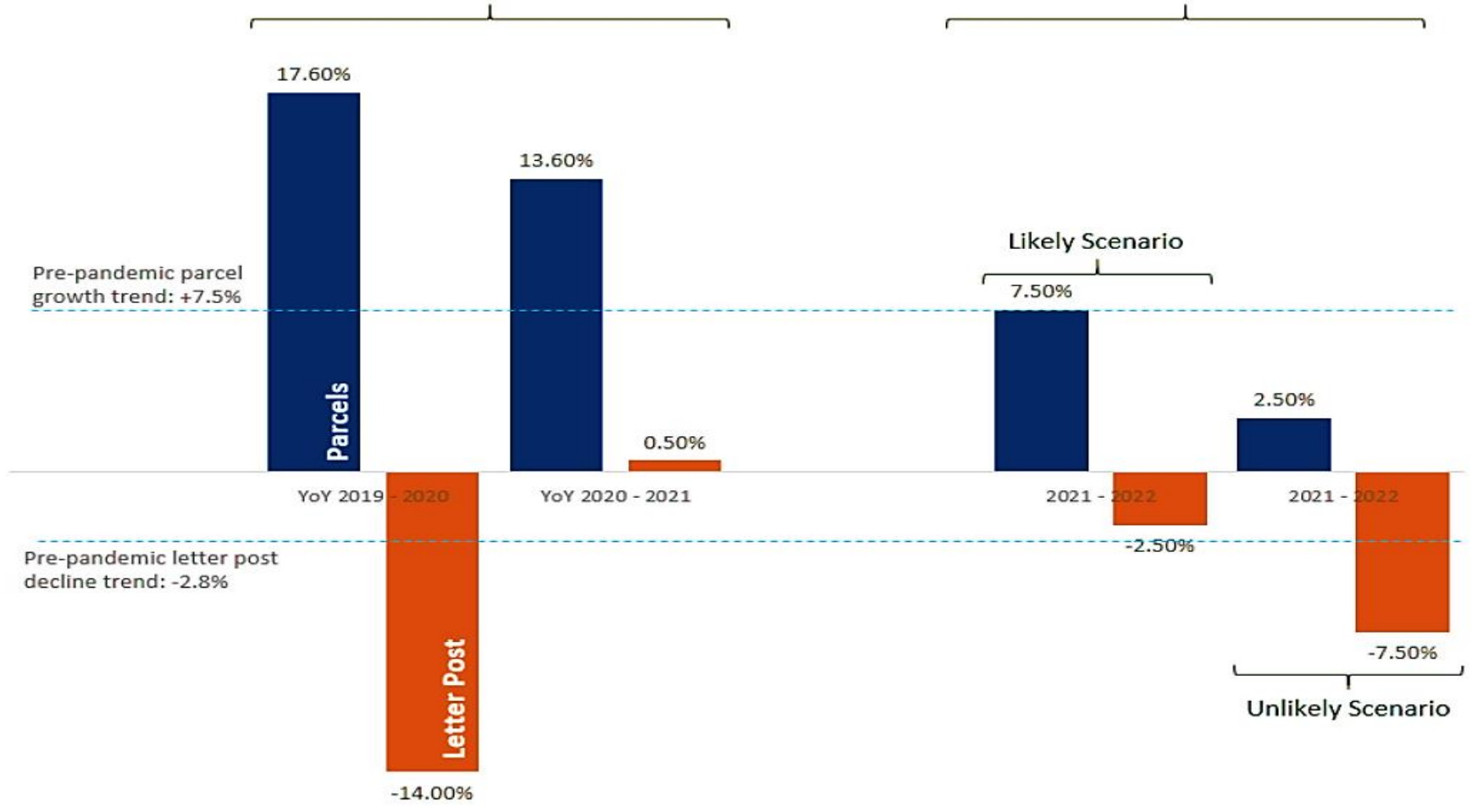


Statistics



Trend Analysis 2019 - 2021
Parcels: **+33.6%**, Letter Post: **-13.6%**

Forecast 2021 - 2022



In the postal market, there are **three** types of entities that can be identified:

- 1. Traditional Postal Operators:** Entities like **La Poste** or **Royal Mail** represent the classic postal service.
- 2. Courier Operators:**
 - **Subsidiary:** Firms such as **DHL** or **GSL**, which are subsidiaries of the traditional postal operators.
 - **Independent:** Companies like **UPS** or **InPost** typify this segment. They thrive in a competitive free market with minimal regulatory oversight, mainly servicing the burgeoning e-commerce parcel delivery domain.
- 3. E-commerce platforms:** an integrated business (ecosystem) with a digital marketplace, often offering its products and services like Amazon or Allegro.

Platformization :

is a **integrated business (ecosystem) model** associated with e-commerce with a digital marketplace, often offering its own products and services.



The problem is that assets (goods) are delivered to customers **directly** throughout their **distribution channels** omitting operators. Hence, they fall outside the purview of postal regulation due to their **non-conformance with the postal service definition.**

Levels of regulation:



- **International Law:** Adherence to the Universal Postal Union (UPU) regulations, which provide a global framework for the postal services.
- **European Law:** Compliance with EU regulations that harmonize postal services across Member States.
- **National Law:** Implementation of national legislation that aligns with the UPU and the EU aims, while also addressing country-specific postal requirements and service standards.



Regulating CEP market

- **Traditional Postal Operators:** Regulated at all three levels,
- **Subsidiary and Independent Couriers:** Regulated by national laws, seeking international regulation (UPU) to be a part of the global postal ecosystem.
- **Platforms:** (mainly) out of the postal regulatory framework.

What could be regulated?



- APMs
- Hubs
- Sorting machines
- Transportation
- Platforms



The scope of postal services is quite **limited.**

The EU postal regulatory framework is **outdated and needs to be changed.**

The EU have provided limited sector-specific tools for NRAs to promote competition, primarily focusing on regulating narrow access to postal infrastructure.

In place of dedicated sector-specific tools, the postal directive have instituted accounting and cost allocation measures aimed at mitigating anti-competitive cross-subsidization by incumbent postal providers.



The EU postal directive defined a postal service as a service involving the:

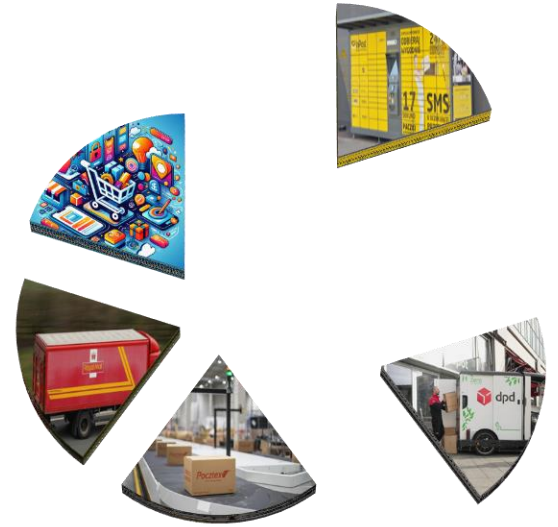
- ✓ clearance,
- ✓ sorting,
- ✓ transport and
- ✓ distribution of postal items.

This is followed by a definition of the postal item, namely an addressed item to be carried by a postal service provider.

Similar to the UPU regulation, **the logistical aspect (physical component)** of the EU postal service plays a key role.

According to EU regulations, the parcel market is a part of the postal market.

Significantly, key infrastructural elements of the CEP sector, such as APMs and microhubs, fall outside the scope of these regulations.



-  **APMs**
-  **Sorting machines**
-  **Platforms**
-  **Hubs**
-  **Transportation**

Justification for introducing regulation

Regulation is aimed at achieving specific objectives, which might include ensuring:

- fair competition,
- protecting consumers,
- preserving the environment,
- maintaining economic stability, and
- promoting social welfare.



The justification for such regulation often lies in correcting **market failures**, addressing externalities, and providing public goods that the market might not efficiently supply.

Justification for introducing regulation

Key justifications for state regulation of an economy include:

1. **Market Failures**
2. **Externalities**
3. **Public Goods**
4. **Consumer Protection**
5. **Economic Stability**
6. **Social Equity**
7. **Sustainable Development.**



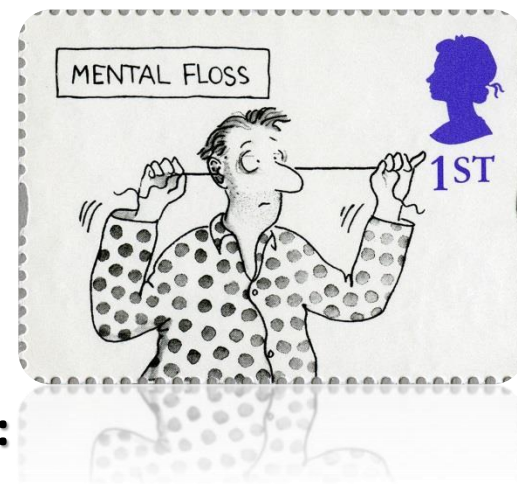
What about **deregulating** parcel market?

□ increased competition



The CEP market is **too significant** to be left regulatory-unrestricted.

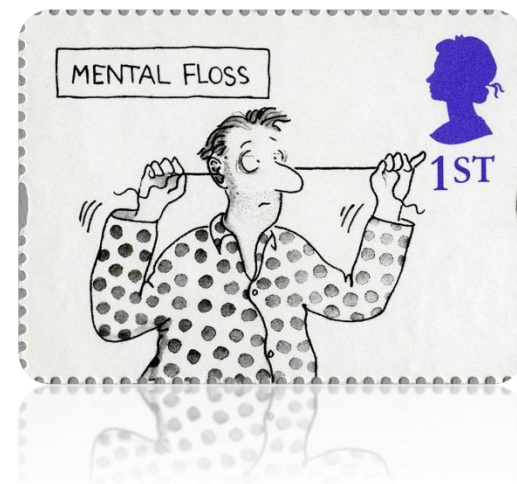
Conclusions



What is needed for the parcel market:

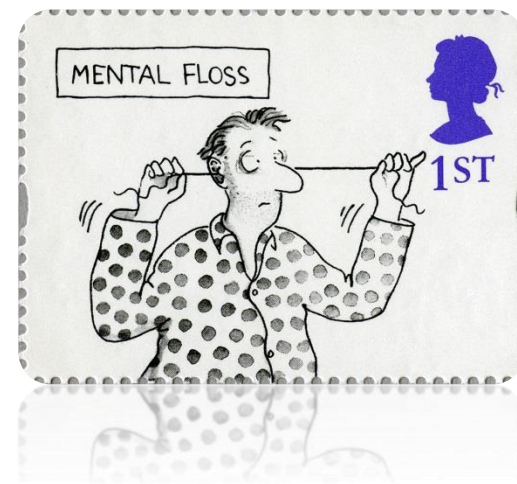
- A proper **definitions** of the postal market - define the scope of the market.
 - The CEP market needs new definitions to compose a comprehensive framework.
 - OOH needs to be recognized, with APMs as an element of postal infrastructure.
- The new postal **NRA**s with a more comprehensive scope and aims:
 - More competitive regulatory tools for postal NRA.
 - Better consumer protection by the postal NRA.
- The **platformization** of the market must be taken into account to protect consumers.
 - Own delivery channels should be seen as a postal activity.

Conclusions



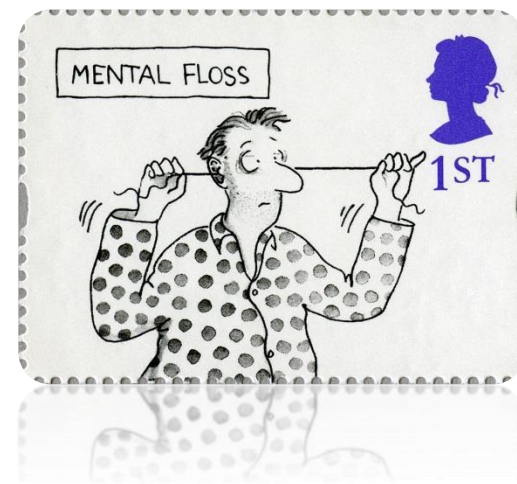
- ✓ The issues associated with the definition of the postal service remain unresolved. It is rather a process, which needs to be adapted to the current necessities.
- ✓ It must be started with the **role** of the postal service. Thus, the post as a connector – between people, between businesses, and between both of these and the public authorities (government) – must be taken as a starting point (indication) for the definition of the postal service.

Conclusions



- ✓ It can be assumed that the traditional roles in the postal market performed by traditional postal operators and courier operators are changing, and platforms like Amazon, Alibaba or Allegro will try to supersede them.
- ✓ There is no doubt that these trends will primarily affect not only incumbents. This ongoing transformation must be included in the future EU regulatory framework.

Conclusions



The postal industry faces unprecedented changes. This is a global trend with an impact on every postal operator, from providers with a postal monopoly to courier operators, but

“The future holds tremendous promise and opportunity for POs.”

(A. Houck, 2016, p. 101).



Thank you for your attention!

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