IMPACT OF THE EU-CROSS-BORDER PARCEL REGULATION ON THE COMPETITIVENESS OF EUROPEAN PARCEL MARKETS

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Growth of e-commerce goes hand-in-hand with growth in parcel volumes

- E-commerce is the backbone of parcel volume growth, especially in the last decade
- In **1997** European e-commerce turnover stood at **€ 35 million** (!), growing to € 1.5 billion in 2004
- In **2021** e-commerce turnover passed € 100 million in Germany alone, European turnover stands at around **440 billion €**, an end not in sight
- More and more goods are available for purchase online, leaving **potential for further growth**
- **Covid-19** has accelerate the trend – before the pandemic global online sales were predicted to double between 2019 and 2024, now, this timeline has been pushed forward
- On the other hand, **letter volumes** are in decline – 23 % for transactional and 40 % for advertising mail in 2020 alone
- **Postal operators will change – from letter delivery services also carrying parcels to parcel operators also carrying letters**

Three major European markets account for 72 % of parcel shipments alone

- In **Germany**, parcel volumes grew by yearly 5.9 % between 2013 and 2017. From 2017 to 2021 volumes increased by a further 46 % (parcels and express shipments)
- In 2021 3.89 billion parcels were shipped in Germany
- DHL has the largest market share with roughly 40%. Hermes, DPD, GLS and UPS are within the 5-15 % threshold
- **Amazon** has set up a nearly nationwide delivery network. Its market share in 2021 was estimated also in the range 5-15 %, but is on the way to become the second largest parcel operator

- In **France**, 1.2 items were shipped in 2017 with market growth averaging 11 % per year
- La Poste, Mondial Relay and Relais Colis have a combined market share between 75 % and 85 %
- In 2020 **Amazon** shipped 258 million parcels

- The **UK** probably is Europe's largest e-commerce market with over 4 billion shipments in 2020-21
- Largest operator is Royal Mail/Parcelforce (35 % market share), followed by **Amazon** (15 %)

The Commission reports on the application of the Postal Directive and the Implementation of Cross-Border Parcel Regulation of 8 November 2021 find that parcel markets are highly competitive

*"(T)he parcel delivery market is **highly competitive** … In most Member States, there is competition in the parcel delivery segment, which has led to innovative improvements to delivery services."*

*"The parcel delivery market is one where **innovation and digitalisation are constantly ongoing**. Technology has contributed to providing better, cheaper and more reliable parcel delivery services. … Many carriers have recently deployed cargo-bikes for last mile delivery, electric vehicles to reduce the environmental footprint, and have increased the use of parcel lockers and collection points for additional convenience of online shoppers."*

- The CBPR was adopted in 2018 with the aim to **promote e-commerce in the EU Digital Single Market**
- Scope of the regulation are tariffs for single parcel items only (7% of the market in Germany, 3 % of Dutch market
- The report finds that Member States have **broadly fulfilled** their obligations under the Regulation
- Overall, tariffs have remained stable since the Regulation came into force
- **Difference between domestic and cross-border tariffs** still "inexplicably high" in some cases
- **Overall, tariffs are deemed to be affordable for consumers and small businesses**

The conclusions drawn by the Commission set the stage for further limited further steps only

- **No need to amend Regulation** after such a short time
- Regulation has limited scope
- Necessary to provide further guidance to improve data comparability
- Continue to monitor the level of the cross-border parcel delivery tariffs
- Improve the user-friendliness of the Commission’s web based transparency tool

Conclusions

- Findings of the Commission have to be broadly welcomed
- Parcel delivery services are no impediment, but an accelerator to cross-border e-commerce
- Parcel markets are subject to competition, both domestically and cross-border
- Cross-border e-commerce is a reality in Europe – sellers operate pan-European distribution networks, parcel operators pan-European delivery networks
- Price differences domestic vs. cross-border are no sign of lack of competition
- Parcel operators face challenges from vertical integrated platforms entering the market
- Parcel service providers must invest towards a **carbon-neutral service provision**
- Further sector-specific regulation has no justification when taking into account competitive nature of markets