

**POSTEUROP'S RESPONSE TO THE GREEN PAPER OF THE EUROPEAN COMMISSION
"AN INTEGRATED PARCEL DELIVERY MARKET FOR THE GROWTH OF E-COMMERCE"
OF 29 NOVEMBER 2012**

Brussels, 22 February 2013

PostEurop, representing 52 Universal Postal Service providers across Europe, welcomes the opportunity to contribute to the public consultation on the Green Paper "An integrated parcel delivery market for the growth of e-commerce in the EU".

E-commerce is one of the most dynamic sectors in Europe. Although heterogeneous across countries, the growth of electronic commerce at a European level is remarkable. This market was estimated at 91 billion Euros in 2010, representing 4% of the European retail sector.

In 2011, 43% of EU consumers bought goods or services online, compared to only 26% in 2006 (Eurostat data). On average, the number of online shoppers has increased by 13% per year. Over the period, there was a growth of e-commerce in all European countries, the rate of growth depending on the maturity of the market and the quality of the different drivers of activity. It should be noted that the average annual growth rate of cross-border e-commerce was almost twice that of domestic e-commerce between 2008 and 2011 (22.2%, compared to 11.4%). It seems that a learning phenomenon is at work: consumers are introduced to e-commerce on the domestic market (which they know better) before buying outside their borders. Thus, if we compare the number of cross-border e-consumers not to the total population, but to the population of e-consumers (who already have experience in e-commerce), the proportion of consumers buying on foreign websites reached 24% in the EU in 2012 (Eurostat data).

This dynamism has led to an increase of competition in the domestic and cross-border delivery market. Thanks to the development of e-commerce, service providers specializing in e-logistics have appeared, and parcel and express operators previously active mainly in the business-to-business market have been entering the market for delivery to consumers; these include pan-European and global providers such as GLS and DPD, UPS, Fedex and DHL.

Thus, e-retailers have the choice to use different types of delivery providers: carriers, logistics operators (who receive goods, repackage and prepare orders for finally entrusting to a carrier), postal operators or express operators; or indeed market places such as Amazon, eBay and Pixmania, which offer to smaller companies to combine their volumes in order to consolidate flows and reduce costs.

In this competitive environment, PostEurop members are continuously striving for innovative e-commerce shipping options and solutions, controlling costs and improving efficiency and co-operation to ensure seamless cross-border operations and services:

Convenience

PostEurop members are innovating in first and last mile services to give the e-retailer and the consumer more choice in terms of delivery options and return solutions. Consumers have the choice as to where and when to receive their purchases, e.g. packstations, pre-notification of delivery or time windows for doorstep delivery. Through various return options such as e.g. the “Easy Return Solution”, operators can offer e-retailers priority postage-paid international return services for their customers.

Costs

Controlling costs is a permanent task for PostEurop members in order to adapt to the changing market environment. The challenge they each face is to adjust their operations to efficiently handle the decline in letter mail volumes and the increase in the volume of e-commerce driven shipments. New technologies and solutions can have an effect on costs, but also require significant investments which have to be financed.

Interoperability

In order to facilitate seamless cross border e-commerce services, PostEurop members cooperate in standardisation and in various projects on the technical platforms provided by the International Post Corporation (IPC) and the Universal Postal Union (UPU). Improved track and trace, quality monitoring, and co-operation in the E Parcel Group are just a few examples.

European postal operators are partners committed to the growth of e-commerce.

The following text provides PostEurop’s detailed answers to the questions raised by the Green Paper.

Q 1. For the purpose of this Green Paper, ‘parcel’ is defined in the broadest sense and includes items weighing up to 30 kg. Are there particular elements which in your view are of crucial relevance for the qualification as ‘parcel’ in the context of the ambition to achieve a more integrated, well-performing parcel delivery market in the EU?

According to PostEurop’s understanding, the Green Paper deals with the delivery of purchases ordered via the internet to consumers in particular in the segment of B2C (plus C2C); however, it does not include business to business services (B2B). By the maximum weight of 30kg for parcels, the proposed definition excludes “2 man handlings”, which appears reasonable. Although online-ordered goods principally cover the whole range of weight up to 30 kg, the lion’s share is below 5 kg or even below 2 kg.

Parcels as defined by the Green Paper are used for the delivery of goods or merchandise. Postal operators offer a broad variety of delivery services with different value-added features, formats and prices. Customers have the choice to select the appropriate service which best corresponds to their needs, e.g. in terms of speed, liability, insurance, track and trace etc. Regarding format, shipments are distinguished by, for example, whether they fit into an average mail box. If they cannot be dropped into a mail box, the deliverer has to deliver the item to the recipient in person, which involves additional costs. The same applies for items featured with insurance, registered parcels or EMS which have to be handed over to the recipient in person.

The more value-added elements customers want to “book” for their delivery service, the more sophisticated and costly the delivery process will be. Accordingly, low value purchases are normally sent by cheap and simple delivery services, while customers select services with value-added features for their high value purchases.

Q 2. Is, and if so to what extent, the existing framework an obstacle to the creation of a truly integrated European parcel delivery market that meets the needs and expectations of e-retailers, consumers and workers in the sector?

Q 3. What are the top three challenges posed by the regulatory framework? What could be done to help you respond, in the short and long term, to these challenges?

Q 4. Do you consider there are regulatory gaps or a need for additional measures/regulations? If so, please specify.

- **Postal Directive**

The growth of e-commerce and the newly competitive environment of the delivery sector prove that the creation of a truly integrated European parcel delivery market is not constrained by the current regulatory framework, which is well balanced and does not need any additional regulation.

The Postal Directive provides in addition a safety net for individuals and SMEs which probably otherwise would not benefit from delivery offers designed for big e-sellers.

Indeed, article 3 of the Directive 97/67/EC of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service provides that universal service includes notably “*the clearance, sorting, transport and distribution of postal packages up to 10 kilograms*”. Universal services have to be provided across the territory at affordable prices with sufficient access points and a frequency of not less than 5 days a week. For prices, the principles of non-discrimination, transparency and cost-orientation apply.

This article aims to facilitate cross-border exchanges of parcels:

“Notwithstanding the weight limit of universal service coverage for postal parcels established by a given Member State, Member States shall ensure that postal parcels received from other Member States and weighing up to 20 kilograms are delivered within their territory”.

This provision ensures that all users in the EU, be they consumers or professionals, can send to other countries of the EU, single piece or bulk parcels, for a maximum weight of 20kg, which will be delivered by the universal service operator of the country of destination, according to the same quality standards as a domestic parcel within the universal service scope.

Therefore, the Postal Directive already provides for a European network of universal service operators to facilitate exchanges of parcels between EU countries.

- **VAT**

One of the top challenges posed by the current regulatory framework is in the area of VAT. The different VAT rates and current VAT rules make it at this moment difficult and expensive for e-retailers to deliver B2C cross-border. As soon as certain thresholds are exceeded, VAT registration in each EU Member State is necessary (leading to compliance costs and language difficulty). E-commerce could really be boosted by enabling the fulfilment of customs duties in one country for the whole of Europe. This is now a very costly and cumbersome process which restricts the free transport of goods throughout Europe. It is essential that the VAT rules are changed accordingly to avoid that import in one country still leads to VAT payment and VAT compliance in 27 different Member States.

- **Transport**

The current regulation of the Internal Market for the carriage of goods, notably the restrictions on cabotage, leads to various sorts of inefficiencies and higher costs. In part due to these regulations, currently 30% of trucks running on European roads are empty, causing unnecessary green house gas emissions.

The current national cabotage restrictions prevent transport operators from using a lorry to its utmost efficiency and run optimized supply chains for the benefit of European industry, including those active in the e-commerce sector. This prevents road transport operators from reducing unnecessary congestion and pollution and creates inefficient logistics networks and leads to higher costs.

- **Services Directive**

The Services Directive (Art. 20 (2)) contains a provision prohibiting discrimination based on the country of residence. According to “The European Online Marketplace, September 2012”, there are cases of e-retailers who refuse to sell their products cross-border to residents of certain member states. PostEurop members can confirm this phenomenon, which on the grounds of the universal service cannot be a delivery problem. Regarding unjustified discrimination, a more committed application of the Service Directive would support cross-border e-commerce.

A number of regulatory rules and initiatives from the EU affect inbound traffic from non-EU origin countries, and this has important impacts on the inbound supply-chain. Herewith two examples for illustration:

- **Customs**

Traffic exchange between the EU and beyond is subject to customs clearance. E-commerce could be boosted by enabling the fulfillment of customs duties in one country for the whole of Europe. The proposed recast of the rules into the Union Customs Code risks undermining some of the most emblematic simplifications originally foreseen, such as centralized clearance and the principle of electronic declarations. Inter alia, INTRASAT should be further developed so that it may also be used for B2C shipments, allowing central VAT handling in one EU-member state only. Furthermore, the EU has amongst the lowest de minimis limits globally (maximum € 22 for VAT), resulting in many cases in more administrative costs for the administration and the shipper than the actual amounts of tax collected (eg Australia € 808, Israel € 56, US € 148, Japan € 98).

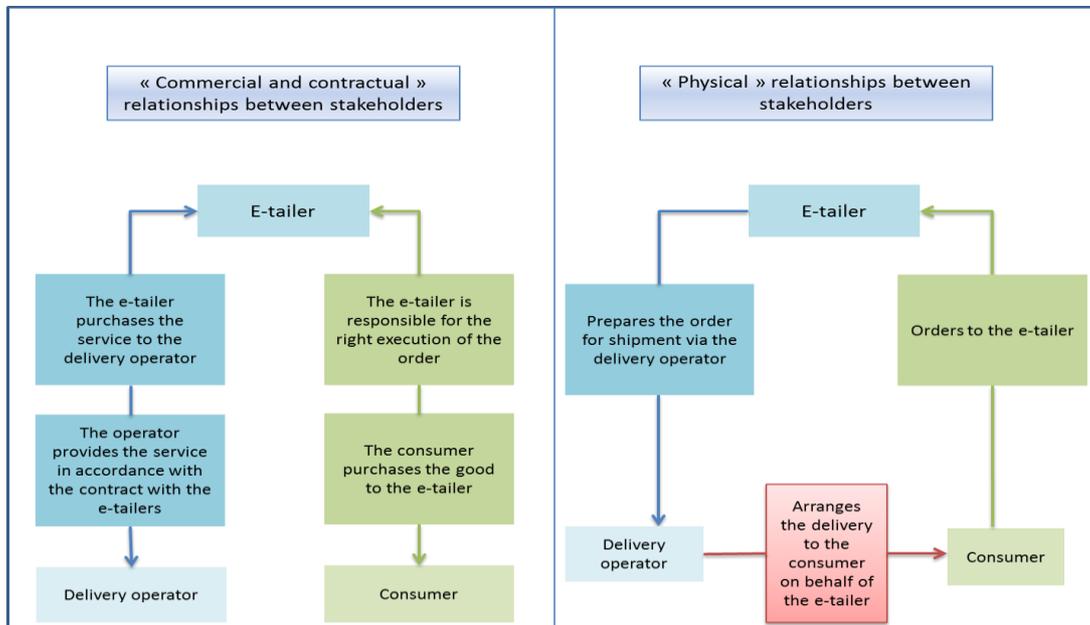
- **Aviation security and customs electronic advanced information**

The rules on the physical screening of goods carried by airlines entering the EU single aviation security area impact e-commerce trade in terms of transit times, cost of screening etc. The combination of this with the announced introduction of electronic advanced notification pre-departure of parcels significantly impacts the supply chain and commercial operations of postal operators in the EU, and calls for an operational readiness for the postal operators sending parcels into the EU. PostEurop is a partner in the EU Commission’s sector dialogue and would like to emphasize the need for a more harmonized regulatory approach with other continents such as the Americas and Asia Pacific so as to facilitate a one-stop-screening and pre-alert mechanism for goods.

Q 5. Information on delivery options and modalities

- Which information should be made available to consumers on the e-retailers' web-site (name and contact details of the delivery operator(s), the delivery price, the time and place of delivery, information about complaint handling, track and trace options, return options)?
- Taking into account the risk of information overload, what could be done to provide consumers at the right moment with clear, transparent and comparable information on delivery?

In e-commerce, there is no direct contractual relation between the delivery operator and the consumer. The contractual relationships are between (a) the e-retailer and the consumer and (b) the e-retailer and the delivery operator.



Several regulations specify the information requirements e-retailers have to respect: EU consumer legislation, the Services Directive and the e-Commerce Directive, as well as the recently adopted Consumer Rights Directive which is expected to increase information and transparency.

E-retailers are responsible for giving adequate, relevant and up-to date information to the consumer; this is part of the e-retailer's marketing and good customer service. In practice, delivery is part of the shopping process, and the terms of delivery are part of the contract between the e-retailer and the consumer.

The e-retailer and the delivery operator need to agree on the information to be made available by the operator to the e-retailer to enable the e-retailer to serve their customers well and according to the relevant legislation.

It is also in the interest of the delivery operator that the information offered by the e-retailer is relevant, sufficient and clear to the end customer. For example, the customer must have information on service features such as delivery times, track and trace facilities and return solutions, and clear instructions of what to do and whom to contact in the event of delivery failure.

In several countries, consumer or industry organizations provide guidelines or recommendations for e-retailers regarding the information that should be provided to the consumer, including delivery.

As to the risk of information overload to consumers, it is a challenge to the e-retailers to have their web-shop site built in such a way that it follows the buying process of the consumer and provides easy access and information in all stages of the process.

Information made available to consumers on the e-retailer's website really depends on the commercial strategy of the e-retailer. However, it is to be remarked that the existing regulation already specifies a set of information which could improve transparency.

Indeed, the Directive on consumer rights and its implementation in all EU countries, before December 13th, 2013 (for implementation as of June 13th, 2014), is a significant step forward for the consumer, as it harmonizes all national rules. Beyond information on delivery, it safeguards the transparency of various types of information including delivery and as important as delivery. See also our answer to question 9.

Q 6. Information on the quality/performance of delivery

- a) **Performance indicators relate, for instance, to the speed of delivery, the geographic coverage of the delivery operator, delays, damaged or lost items. How can such performance-related information be measured and gathered? Would publishing the results of such performance indicators create added value for consumers? Is there a need to develop standards to monitor such performance levels?**

Information on actual performance is of interest to the e-retailer as he chooses who to contract for his delivery services. Service features (e.g. delivery times) and quality of service form part of the contract between the e-retailer and the delivery operator. Delivery operators, for operational and marketing reasons, monitor their performance continually and provide their customer, the e-retailer, with the relevant reports. If they do not keep their performance promises, they lose the business. E-retailers monitor quality of service of the delivery operator based on tracking information and customer complaints.

For the consumer it is important to have sufficient trust in the e-retailer. The e-retailer has to ensure that the consumer is provided with a reliable delivery service including appropriate information, such as when the ordered goods will arrive.

However, trust is not just built upon successful postal delivery. Successful delivery of online purchased goods has to be looked at from a consumer's perspective in a much broader sense. Besides postal delivery it includes all elements of the e-commerce chain, such as successful ordering, payments, and sufficient and transparent information on the whole process. It is therefore the responsibility of the e-retailer to provide a positive purchasing experience, as he is the only contractual partner of the consumer.

- b) Would trust labels (e.g. a certificate given by an industry association that the delivery process of an operator can be trusted as they meet requirements based on best practice) offer a more efficient way to increase consumers' confidence?**

Trust labels are of interest to e-retailers, web-sites and delivery operators. For consumers, it is important to know whether the service of the e-retailer is reliable. This refers to the entire value chain, including ordering, payments and delivery. Trust labels already exist. An example is the German based "trusted shops" label (<http://www.trustedshops.de/>). They are active all over Europe providing a trust label for participating web shops for e-consumers. Participating web shops (over 10,000) can use this label for marketing purposes when fulfilling certain criteria and offer a reimbursement guarantee to their customers.

- c) Would ISO certification of a quality process aiming at efficient delivery be an appropriate tool to increase consumers' confidence?**

PostEurop members usually have an ISO certification for their domestic operations and international facilities.

ISO certifications are not directly relevant for the consumer, but both for the internal operations of the delivery operators and as indication of the operators' capability towards the e-retailer.

Q 7. Independent supervision:

Who should take the lead to monitor performance: an industry organisation, an independent body, a regulator?

Delivery operators are responsible to their customers, the e-retailers (see answer to question 5), both for their actual performance and for performance monitoring in respect of the contracted service(s). There is no case for a centralised, regulatory based monitoring.

For cross-border services, the IPC as an industry organisation provides efficient monitoring on behalf of the operators involved. IPC has nearly twenty years' experience of monitoring quality of service for postal mail products. The principle is to measure end-to-end performance (from posting to delivery), and each link in the logistics chain. The former gives the customer view of performance; the latter allows operators to identify weaknesses and take action to improve quality.

Measurement methodology is divided into two categories: untracked items (letters and letter packets) and tracked items (parcels, express letters, registered letters and EMS). The methodology for the former is based upon using a stratified sample of letters/letter packets which represent real mail flows. Items in the sample are sent between panels of senders and receivers (the end-to-end measure) and contain Radio Frequency Identification (RFID) tags which are read at appropriate points in the logistics chain (the link measurement).

Measurement of tracked items is a census, rather than a sample, since each item carries a barcode. The methodology is as for untracked items: the date/time of collection is tracked, as is the date/time of delivery. Within the logistics chain there can be up to eleven other tracking points, plus the capability to attach event reason codes at certain points. The tracking data provides the basis for automated customer service query handling through the IPC Customer Service System (which also measures the speed of resolution of queries, against agreed standards). For tracked items, IPC provides monthly monitoring and reporting for over 100 posts around the world and covers approximately 50 million items (rising to 70 million from Quarter 2 2013).

Performance is measured either in elapsed days, business days and/or against agreed standards, depending upon the requirements of participating operators.

Q 8. Possible need and scope of a universal delivery service for parcels:

- a) Is there a need for a new universal service obligation to address the ubiquity, affordability and quality of parcel delivery services?**
- b) If so, what could be the main characteristics of this 'new' universal service (in terms of service levels, convenience and affordability)?**
- c) From a delivery operator perspective, do you think a universal (parcel) service would be feasible in terms of cost/profitability? If so, at what level?**
- d) What would be the best tools to implement such a concept (e.g. guidelines; revision of the Postal Directive; new regulatory instrument with enhanced powers of the national regulatory authorities)?**

E-commerce represents a comparatively young business which is currently in a highly dynamic growth phase. It is driving the development of the delivery markets which in turn support the growth of e-commerce. Delivery operators have made and continue to make significant investments in infrastructure and services dedicated to e-commerce. New services and ever more sophisticated solutions are developed. The potential and the success of e-commerce have attracted more and more delivery organisations, resulting in intensive competition in delivery.

There is no global failure of the market; on the contrary, market forces have a positive impact in terms of better services, innovation and prices. Consequently, there is no need for a new universal service dedicated to the delivery of online purchases. Where competition may be less intensive or market forces less dynamic, the existing universal service as defined by the Postal Directive ensures ubiquity, affordability and quality of delivery services, both domestic and cross-border; in fact, member states are obliged under the Postal Directive to ensure the delivery of mail, packets and parcels up to 10kg (or 20kg) across the territory, both domestic and cross-border, at affordable prices with sufficient access points and a specified quality, especially transit times and a frequency of not less than 5 days a week. Moreover, the principles of non-discrimination, transparency and cost-orientation apply with respect to the pricing of universal services.

It is important to underline that the universal service is a regulatory concept to provide a “safety net” by ensuring a minimum range of services which are deemed to be indispensable for the users. Being part of the broader framework of Services of General Economic Interest (SGEI), the objective of the universal service is not to develop a new market; and, even more importantly, it cannot replace market functions as described above in markets with strong and functioning competition as it is the case in the delivery sector.

Additional universal service regulation beyond the existing universal service would hamper market dynamics and discourage necessary investments. Therefore, market development must rely on sound commercial conditions and not on regulation. The e-retailer, even if very small, is a business that is competing with other businesses, such as other e-retailers and ordinary physical retailers. Hence, additional universal service regulation in this market would imply protection of the e-retailer, not of the consumer (the customer of the e-retailer).

In this context, the term “affordability” is not appropriate as far as the e-retailer is concerned; the aim of demanding an “affordable” service is to ensure that all citizens de facto have access to public service; i.e. the term “affordable” is part of the consumer protection. E-commerce, on the other hand, is a business model, and regulation should not aim at ensuring that a particular business model necessarily be affordable. It is conceivable that for some locations or some kind of goods etc. e-commerce is a cost-inefficient business model in comparison, for example, with traditional retailing. It can hardly be the role of regulation to ensure that this particular business model be “affordable” in all cases. Therefore, e-retailers being businesses in competition with other businesses should not have services at better conditions than ordinary commercial terms.

Q 9. Improving consumer experience

- a) Taking into account the existing set of consumer rights, how could consumer concerns and complaints about delivery be addressed most effectively?
- b) Do you have any concerns about liability regimes in the event of lost or damaged parcels? What could be done to improve the situation?
- c) Could the e-commerce industry and delivery operators come up with more proactive solutions to better respond to consumers? What actions could be taken quickly to improve the situation in the short term? Which medium to long term solutions could be envisaged?

Consumer protection regulations exist. The recently adopted consumer rights directive should first be implemented and “tested” before the adoption of any new regulations.

As for postal services, the postal directive provides for specific regulations for complaint handling for all delivery operators by Art. 19.

For reasons of the underlying contractual relations, the e-retailer needs to be the contact point for the consumer in case of delivery problems. Contact details should be provided by the e-retailer to the consumer on the web-site.

The existing framework already addresses consumer concerns, complaints concerns and concerns about liability regimes in the event of lost and damaged parcels.

1. Consumer concerns are already addressed by a set of regulation in the Directive 2011/83/EC of 25 October 2011, on consumer rights.

The Directive on consumer rights and its transposition in all EU countries, before December 13th, 2013 (new measures have to apply as of June 13th, 2014), is a significant step forward for the consumer as it harmonizes all national rules.

Indeed, the Directive states that “*Therefore the full harmonization of consumer information and the right of withdrawal [...] will contribute to a high level of consumer protection and a better functioning of the business-to-consumer internal market*”, that “*Full harmonization of some key regulatory aspects should considerably increase legal certainty for both consumers and traders*”, that “*The effect of such harmonization should be to eliminate the barriers stemming from the fragmentation of the rules and to complete the internal market in this area*”. Finally, the Directive considers that “*The regulatory aspects to be harmonized should only concern contracts concluded between traders and consumers*”.

As stated in the Green Paper, the major improvements of this directive include notably transparency, the obligation for pre-contractual information to consumers by distance sellers (price including VAT, payment terms and delivery, the right of withdrawal, returns fees, and claiming procedure) but also the extension of the withdrawal period to 14 days or the provision of a standard withdrawal form.

The Commission also notes “*the extension of reimbursement rights (potential refund of shipping fees)*”. The Green Paper seems to state that delivery refund is not an obligation in the case of withdrawal by the consumer. However, Article 13 of the Directive is clear and expresses that “*The trader shall reimburse all payments received from the consumer, including, if applicable, the costs of delivery*”. Recital 46 of the Directive also sets that “*In the event that the consumer withdraws from the contract, the trader should reimburse all payments received from the consumer, including those covering the expenses borne by the trader to deliver goods to the consumer*”. The incurred return fees are, however, not included and may be supported by the consumer.

It is important to recall that, prior to this Directive and its national transposition, consumers were not devoid of rights and protection in distance selling.

2. In addition, consumer complaints and liability regimes are also already addressed: Directive 97/67/EC of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service

As noted in the Green Paper, the Postal Directive provides in its Article 19, transposed into national legislations, “*that Member States shall ensure that transparent, simple and inexpensive procedures are made available by all postal service providers for dealing with postal users' complaints, particularly in cases involving loss, theft, damage or non-compliance with quality service standards. Member States shall adopt measures to ensure that the procedures enable disputes to be settled fairly and promptly and provide, where warranted, a system of reimbursement and/or compensation*”. These procedures cover all postal products within and outside the universal service scope.

Q 10. Different options could be envisaged to control costs:

- a) **Are there any outstanding examples of, or best practices for alternative delivery solutions allowing for a reduction of costs?**
- b) **Are there any outstanding examples of best practices to increase efficiency?**
- c) **What type of technology can or could reduce the cost of delivery?**
- d) **What could be done, in your view, to remove or alleviate current regulatory constraints without putting the attainment of their underlying objectives at risk?**

The need to adapt to the changing market environment is a permanent task for postal operators. Both the strong decline of letter mail volumes and the impressive increase in the volume of e-commerce driven shipments require postal operators to strictly control their costs. This is part of their business professionalism. While there is a clear trend that e-retailers more and more refrain from showing delivery charges on their invoices, giving the illusion of “free delivery”, consumers on the other hand expect greater convenience when it comes to the delivery of the goods ordered via the internet.

Consumers today want to have a wide choice of options to receive their online purchases. Delivery operators, therefore, offer a growing number of new convenient and innovative delivery solutions. Besides home delivery, delivery at parcel automats (e.g. packstations) or specific drop points, at the preferred time and place (e.g. neighbour or postal outlet), SMS or e-mail notification of delivery are solutions which already can be found in various European countries and the development is continuing. Nevertheless, doorstep delivery will remain an important mode of delivery.

Delivery options are primarily driven by demand. New solutions can have a cost controlling effect, but also require significant investment (for example, for setting up of packstations, new IT solutions or new processes). The same is true of reducing the cost of home delivery by raising the success rate of the first delivery attempt, through for example notification of the planned delivery place or delivery on a requested date.

These investments should not be put at risk by increasing regulatory constraints.

Q 11. Sustainability of tariffs:

- a) **Do you think that the current level of tariffs charged to consumers for home delivery is sustainable in the medium and long term? If not, what should be done to mitigate this?**

When it comes to discussing the level of tariffs charged to consumers for home delivery, one has to clearly distinguish between the different contractual relationships. First of all, the contract partner of the delivery operator is the e-retailer, not the consumer ordering goods via the internet. Therefore, “tariffs for home delivery” (e.g. postal delivery prices) are not charged to the consumer but to the e-retailer. E-retailers decide whether to show delivery charges separately to the consumer. In fact, more and more e-retailers no longer directly charge delivery to the consumer (i.e. they indicate “free shipping”).

Although home delivery is not the standard solution everywhere across Europe, it remains an indispensable mode of delivery. In the Nordic area, for instance, delivery has traditionally been made to postal outlets or comparable locations. Today many alternative delivery options are offered to customers, too. In other countries, doorstep delivery is also complemented by alternative delivery options, such as delivery to parcel automats etc. as described. Innovative IT solutions, such as pre-alerts and time windows, can help to increase the rate of successful first delivery attempts.

Besides e-retailers in the B2C segment who generally forward high volumes of shipments to consumers, there are consumers in the C2C or C2X segment sending single-piece shipments only. Consumers as small shippers in e-commerce do not enjoy the same prices as higher-volume shippers. However, they are protected by the concept of the universal service, guaranteeing that an indispensable set of services of a certain quality is provided country-wide at affordable prices.

The e-commerce business and with it the delivery of online purchased goods is a comparatively young and fast developing market. Therefore, current concerns that tariffs charged today might not be sustainable in the medium and long term ignore the nature and the dynamics of this market.

Consequently, we believe that, instead of fostering the development of e-commerce in Europe, any regulatory interference would in fact hamper these dynamics and discourage delivery operators from investing in the development of the ever more sophisticated solutions demanded by consumers.

A recent study¹ conducted in the Nordics indicates that delivery costs should be viewed as just one among a number of factors influencing e-retailers and consumers. In the survey, Nordic consumers were asked the question: “How important are the following factors in terms of your wanting to buy products from a site?” One of the eight factors was “Free delivery” and it ended up in last place. The most important factor chosen was “Clear total price”. The consumers were also asked to give their reasons for not shopping from foreign e-commerce companies, and the study showed that the cost for delivery was not mentioned as a reason at all. The most common reason out of eight different reasons was that the consumers can find what they are looking for on domestic websites.

b) Should the actual cost of delivery incurred by e-retailers be made more transparent to consumers? If so why?

There is no reason to make actual costs transparent to the consumer. Delivery of the online purchase can be considered just as an “input” to the business, like advertising, production of the goods etc. Input costs are generally not communicated; for the consumer, details on input costs are of no relevance.

c) Should the true costs of delivery to the society at large be made more transparent? If so why? And how?

The cost of delivery of mail to society is, when it comes to the most important factor for environmental sustainability – carbon emissions – extremely transparent. In 2008 IPC started the Environmental Measurement and Monitoring System (EMMS). Currently twenty-five postal operators from five continents participate in the programme (both inside and outside IPC-membership). The EMMS system measures both the management proficiency and the actual carbon emissions. All reported results are third party audited.

In three years these postal operators have reduced their carbon emissions by over 14%, from 8.3 million tonnes to 7.1 million tonnes per year. Less than 30% of those emissions come from the 18 European participants.

As well as the total carbon emissions, the emissions per postal item processed are also measured. In 2008 on average 29 grams per item were emitted; in 2011 this went down to 25 grams per item, again a reduction of around 14% in three years.

The full sector sustainability report 2012 can be found at <http://sustainability.ipc.be/>

¹ E-commerce in the Nordics, 2012, p. 9-10

In the context of its Greenhouse Gas (GHG) Reduction Programme, PostEurop organised a series of seminars in which members have had the opportunity to directly experience green projects performed by hosting postal operators. Environmental experts shared innovative practices to reduce emissions such as: electric vehicles usage, green electricity purchasing, alternative fuel consumption (biodiesel, LPG, CNG, etc.), energy efficient technologies in buildings and ECO-driving while new areas of interest were explored including urban mobility, carbon offsetting, alternative fuel vehicles and biodiversity.

Other PostEurop Environmental Projects included the Green Fleet Forum, the NEPH Project and the Green Post Project. The NEPH Project, funded by the EU, brought together postal operators and industrial research partners to study and develop innovative modular electric power trains that will constitute the key component of a range of personal electric mobility devices and aimed at reducing air pollution and CO2 emission caused by the postal delivery service.

Q 12. Level of competition in delivery markets:

a) In which markets, or market segments would more competition be essential?

The European delivery markets have never been under any monopoly. Generally speaking, most of the markets for delivery are highly competitive, both domestic and cross-border, and competition is growing, attracted by e-commerce opportunities. For consumers and small shippers that rely on single piece services, competition appears generally less intensive. Here, a solution already exists through the universal service. Because their volumes are normally sufficiently high, most SMEs do not rely on single piece services but have access to discounts.

b) Publishing price comparisons would provide more clarity to consumers and SMEs. How could this be done? What would be the pro and cons?

PostEurop believes that price comparisons can be generally helpful for the buyers of single piece services. Price comparisons of delivery cost are not directly relevant for the consumer ordering something online as the price and the choice of delivery operators are decided by the e-retailer.

Q 13. Oversight and regulation:

Ex ante regulatory measures (such as transparency obligations, obligations to provide access to delivery networks, and obligation for tariffs to be cost oriented, etc.) imposed on delivery operators with significant market power can lead to more competitive markets.

a) Which would be the relevant markets to consider in this respect?

The development of e-commerce probably relies less on prices or costs of delivery than on convenience and confidence (see above, response to question 10). It is key therefore to improve quality and invest in innovation. Access to delivery networks does not promote competition in terms of quality and innovation. Consolidators are bound to the characteristics of the network they have access to. Nor will access incentivise the owner of the network to invest. Furthermore, there is growing competition in that market and no barriers to entry, as networks can be replicated.

b) What are the specificities of cross-border operations which could justify cost constraints? Please specify.

For PostEurop members, domestic services traditionally dominate the business (roughly 90% or more). Transport logistics are therefore designed so as to optimize domestic operations, and this result in higher costs for cross-border services due to the extra mileage incurred, and other costs specific to cross-border shipments. Cross-border streams are consolidated at a certain number of international hubs or “offices-of-exchange”; most countries have only one central hub for all cross-border destinations. Cross-border streams do not generally meet the critical mass to economically justify direct links from the nearest sorting center or even the customer to a foreign destination; direct links, though shorter in distance, would effectively incur much higher costs. Similarly, IT infrastructure and processes are designed to cater foremost for domestic requirements, necessitating cross-border streams to build IT-interfaces, relabeling processes with local barcodes etc. Finally, depending on the distance to the destination country, cross-border streams are flown (instead of road transport) and thereby face significantly higher specific transport costs and need to undergo costly security procedures.

c) Should the regulator have more information on cost accounting data of operators to better assess the cost-price structure of packets and parcels?

Regarding national postal operators, regulators have the information required to assess cost-price structure of packets and parcels, in line with the existing requirements set by the postal directive (art. 14).

d) Should regulators and/or competition authorities play a more active role in overseeing the national markets or market segments concerned?

No. In the existing regulatory framework, regulators and competition authorities have the necessary instruments at hand.

Q 14. How can more competitive and transparent cross-border tariffs be ensured?

- a) Should it be left to market forces to provide the tariff levels and levels of transparency that are demanded by e-retailers and consumers?**
- b) Would more regulatory supervision contribute to achieving sustainable prices for consumers?**
- c) Do you think that applying some type of price cap for single piece cross border packets and parcels would be a feasible and effective option to address the needs of e-retailers and consumers?**

The markets for parcel delivery in Europe, both domestic and cross-border, are competitive markets and competition is growing, driven by e-commerce. One has to recall that the delivery of the lion's share of goods ordered online is subject to contractual relationships between e-retailers and delivery operators. Given the intensity of competition in this big segment, tariff levels and levels of transparency can be left to market forces. Generally speaking, e-retailers have significant bargaining power to put sufficient pressure on delivery operators to achieve low prices, good quality and service features according to their needs. In particular, big e-retailers exercise this bargaining power impacting both domestic and cross-border delivery.

At the same time SMEs and even micro sized companies are in a position to enjoy discounted prices even if their parcel volumes are fairly small. In that respect, different business models for delivery services are available in Europe, for example discount schemes for volumes of just a few hundred shipments per year, or allowing for an individual calculation of prices according to the specific conditions of the delivery services in terms of destination countries etc.

Single piece cross-border packet or parcel services are therefore only a very small fraction of the whole e-commerce cross-border market. Nevertheless they benefit from the competitive achievements with regard to innovations, new delivery and return solutions etc. Furthermore, consumers demanding cross-border single-piece services are in particular protected by the concept of the universal service. It ensures the provision of a minimum set of services with a specified quality at affordable prices.

Given that, market forces complemented by the existing framework of the universal service are best suited to address and support the needs of e-retailers and consumers.

Furthermore, any regulation that would bring prices or other selling conditions out of line with ordinary business terms would distort the competition between the e-retailer and its competitors. With price caps in particular, there would be a risk of below-cost pricing, which would mean an undue subsidy in favour of the e-retailer and put competitors that use other business models, such as traditional retailers, at a disadvantage. Price caps that target services to businesses, even if small, should be avoided or, as a minimum, include mechanisms that prevent below-cost pricing.

E-commerce requires healthy and profitable delivery markets. Growing requirements in terms of capacity and innovation need significant investments that need to be financed and have to pay off. Additional regulatory burdens and constraints should be avoided in order not to disrupt the encouraging developments currently seen in the parcel delivery markets. Constraining delivery prices can also easily translate into pressure on labour costs which represent the major part of the delivery costs in the postal sector.

Q 15. Levels of investment required:

- a) **To what extent is it possible to evaluate, both at micro and macro level, the approximate cost of a generalised track and trace system for parcels? Which would be the most relevant parameters to take into account?**

While it remains unclear what is meant by the term “generalised” track and trace system, it can be clearly stated that track and trace solutions both for domestic and cross-border services are available in all European member states. Track and trace is available for the interconnection of networks of national postal operators or third party delivery operators.

PostEurop members constantly strive to improve the interoperability of interconnected networks with track and trace functions. Global standards play an important role as a prerequisite for track and trace solutions responding to customer needs. The latest version of the relevant standard (EMSEVT v3) supports all traceable postal products, including EMS, Parcels, registered and/or insured letter post, and exp^rès letter post. It supports tracking of a broad variety of events, including item presented to/held by/returned from export/import Customs/Security, item into domestic sorting centre and alternative types of delivery such as delivery depot or pack-station/locker for customer pick-up.

PostEurop members are increasingly making use of the enhanced possibilities of the new standard, with investment and implementation plans for the next years.

Regarding the costs of a track and trace system, a distinction must be made between system design, development and implementation costs on the one hand, and system management costs on the other. In general, a tracking system is a set of tools and processes reporting the status of an element which is subject to certain processes. This applies not only for postal items but also industrial transformation processes, food chains, economic transactions, etc.

The cost of track and trace is extremely variable and depends on a lot of cost drivers:

- The complexity of the operational process to be tracked
- The number of events to be tracked
- The number and geographic location of the tracking points
- The availability of data transmission network systems
- The expected service levels (e.g. real time tracking, near-real time tracking, offline tracking)

- The type of items to be tracked (i.e. mail, packets/parcels, multi-products)
- “Tagging” modes (i.e. barcodes, RFID)
- Tracking modes (i.e. automated, mechanized, manual)

b) What specific pilot projects for delivery of e-commerce products could be promoted, possibly within broader programmes aimed at fostering investment in information and communication technologies?

The spread of the Internet and the use of tools such as smartphones and tablets can be considered as a further boost to e-commerce, representing important opportunities for the postal operators’ business development; in particular, for an ever more effective experience of electronic commerce, it is important to pursue the possibility of providing secure electronic communication services, electronic payments and logistics in a unique “value chain”.

Some factors are fundamental for achieving the goals of efficiency and effectiveness, necessary for a high quality of service:

- **Technology:** the extensive use of technologies is a prerequisite to a process like e-commerce, one of whose main features is the integration of dematerialized activities (e.g. catalogue browsing, orders, payments) with traditional activities (e.g. storage, shipping, delivery), thus providing the customer with a progress report, consistently and easily accessible.
- **Security:** security is a major factor at all levels of the process, from the general infrastructure (e.g. Internet domain) to the “atomic” services making up the e-commerce value chain (e.g. marketplace, electronic payments, digital communications).
- **Simplification and Integration:** the ease of access and use of digital services are certainly key to the success of a service, and can really provide a competitive advantage; as for e-commerce, the integration of the different components of the value chain represents an opportunity for simplification and cost optimization.

Therefore, in order to speed up the development of e-commerce, projects have to be identified which promote security and integration via the large-scale deployment of technologies. In this context the UPU .post project is an example in terms of structural features of security and interoperability (e.g. technical and process standards).

Finally, the development of a system of intermodal integrated logistics and of last-mile sustainable delivery systems, represents a further area of intervention, where development and innovation projects can be identified (e.g. MODULUSCHA project - Modular Logistics Units in Shared Co-Modal Network, included in the 7th Programme Framework of the European Commission).

Q 16. Partnerships and cooperation:

a) Is better co-operation between e-retailers and delivery operators likely to increase the interoperability of operations? If yes, what specifically could retailers and operators do to build new or improve existing partnerships?

Close co-operation between delivery operators and e-retailers does already exist in different respects.

On the one side, there are postal operators supporting and helping in particular SMEs to enter the e-commerce business by providing online platforms, websites, fulfilment solutions, return solutions etc.

On the other side, the cooperation corresponds to the logistics process between the e-retailer and the delivery operator, which has to be defined in a very detailed manner in order to ensure a fast and reliable delivery of the retailer's goods.

The main items of this cooperation include pick-up, distribution, delivery, delivery options, return handling, exchange of data including data of Proof Of Delivery (POD) and exception codes (not at home, wrong item etc.) and after-sales support (customer service, IT support and delivery reports).

All of these items are being extensively discussed in detail between delivery operators and e-retailers in order to find the best solution for the e-retailer and his customers. Accordingly, e-retailers have a multitude of choices in regard to the various items listed above and can, for example, choose between various pick-up options, such as pick-up by swap-body once a day or several times per day by little van. Also, the exchange of data is variable, and multiple possibilities are offered to the e-retailers, such as POD only or every change of parcel status (i.e. distribution, on tour, delivered). Moreover, e-retailers can even ask delivery operators to pre-advise the consignee of the time of delivery if he provides the delivery operator with the right data (e.g. e-mail address or telephone number).

After the delivery operator and e-retailer have agreed on all the different parts of the logistic process, these agreements can become part of the contract between the two parties. As delivery operators have an intrinsic interest in developing the e-commerce market even further, they already cooperate with e-retailers on further improvements of this process and even offer training platforms on the crucial preconditions an e-retailer needs to fulfil in order to ensure a reliable delivery process.

- b) Should contingency capacities be jointly developed to deal with peak periods? If yes, how could this be done?**

Postal operators are used to dealing with peak periods such as Christmas and year end seasons. In particular, they employ additional staff and increase network capacity as far as possible in order to cope with the peak volumes. Jointly developed contingency capacities are no real solution as those third parties which could be involved are subject to the same peak period problems as the postal operator.

- c) Would you need the services of facilitators and third party logistics providers? How can those –new or existing– services develop, become better known and more visible?**

Not a question for PostEurop members.

Q 17. Better interconnection:

- a) Could logistics platforms for groups of operators better meet the needs of e-retailers? If yes, how?**

There are various existing logistics platforms in the market which are continuously adapting to the needs of e-retailers. These platforms can be grouped in three different operational models for cross-border parcel services in Europe.

- a) Integrated parcel and express networks: examples are DHL, UPS, TNT, DPD, GLS.

They will carry any size and any weight, and provide very good services (both information and speed) since the full chain from pick-up to delivery is in their own hands. There are no connection issues to be solved within these integrated networks. National postal operators and other operators can choose to connect to these networks.

- b) International letter mail networks; operated by the National Postal Operators as Designated Operators of the Universal Service Obligation (USO).

The letter mail exchange system between Designated Operators takes packets up to 2 kg (non-registered items to a maximum of 2 kg are referred to as packets). The compensation between operators in this model is based on bilateral or multilateral terminal dues arrangements such as REIMS and the UPU system. Any such agreements between operators are subject to competition law. The network will further adapt to the needs of e-commerce (market driven). Packets handled within this system fall within the USO.

- c) Interconnected parcel networks; parcel operations of National Postal Operators (and other delivery operators) that provide cross-border services on the basis of bilateral or multilateral service agreements with National Parcel Operators or other delivery operators in target markets.

Domestic delivery operators connect to partners in target markets. Most parcel divisions of National Postal Operators operate like this, where they have the choice to connect to another National Parcel Operator or another delivery operator. A crucial element is the IT connection to enable track and trace and exchange of other relevant information. Experience shows that this is feasible for all 27 EU Member States.

The questions under 16 a) and 17 a) both call for integrated cooperation among postal operators and with the other providers of services in the e-commerce value chain.

As postal operators, we see market-based cooperation and interconnection as efficient means to ensure the interoperability of operations and to meet the needs of consumers and e-retailers. Cooperation between e-retailers and operators is an essential part of all agreements between the two parties – with the common goal of offering e-commerce to consumers. Being based on commercial terms in a competitive market environment, cooperation between e-retailers and delivery operators needs to be flexible and optional, and able to swiftly respond to the needs of consumers and retailers and developments in the e-commerce sector itself. Better cooperation, including increased interoperability, stems from this shared need for flexibility to adapt.

Possible logistics platforms should be created by the stakeholders wishing to participate. The basis for the creation of such platforms should be market needs and developments, not regulatory demands. Only from a position of shared interest in such platforms may suitable financing, choice of technology and degree of logistical integration be operationally determined. Alternative and mandatory approaches, on the other hand, would run counter to the market based dynamics of e-commerce and associated delivery.

Here, one must bear in mind that cooperation – whatever the form – between operators is subject to stringent competition law constraints. As postal operators, we acknowledge these restrictions and seek to establish cooperation models which respect them.

- b) Could an industry task force contribute to promoting innovation and increasing the use of new technologies to facilitate greater level of interconnection? If so, how?**

In an era of e-commerce, IT technology and digital services, where it is indispensable for postal operators to ensure interconnection and interoperability of their infrastructures, it is of utmost importance to have platforms that support and enable technical and operational cooperation. An industry task force or an experienced postal industry supporter can provide the appropriate framework to discuss and debate issues, share knowledge and best practices, and promote and develop technical solutions necessary to enable in particular cross-border solutions. Thanks to new technologies, standard electronic data exchange and skilled management, a greater level of interconnection will be achieved facilitating the creation of a global network.

With IPC a platform of that kind has existed for more than 25 years. It has successfully facilitated the technical cooperation of postal operators and will continue to play an important role in the development of e-commerce delivery.

c) Should the processes used to return goods (both domestically and cross border) be improved? If so, how?

In most European member states, domestic easy return solutions exist. For cross-border services, postal operators' retail services have always provided a basic but universal return solution that has contributed to the early development of cross-border e-commerce.

Since 2010, postal operators together with IPC set up the Easy Return Solution (ERS) which is being progressively implemented by postal operators. The ERS enables postal operators to offer e-retailers a priority postage-paid international return service for their customers. Whenever a consumer wants to return a product cross-border, the e-retailer provides the customer with a pre-paid return label. All the customer needs to do is to apply this ERS return label and drop the unwanted purchase at a postal outlet. The returned goods can be easily tracked via the website of the operator or the e-retailer.

ERS clearly responds to market needs and contributes to customer loyalty and satisfaction. It is planned to have all European EPG-members on board by 2014.

d) Are interoperability requirements and the promotion of new technologies difficult for SMEs operating in the delivery chain? What actions could help mitigate such difficulties?

Not a question for PostEurop members.

e) What are (if any) the main three actions which could improve interoperability across EU borders for moving goods ordered on line? What could be done to improve the situation in the short term, what initiatives could be taken in the medium to long term? Also what needs to be done to improve interoperability at the international level?

Working together across borders is key for facilitating seamless cross-border services and ensuring high quality. Crossing borders requires coordination, synchronised pick-up and drop off and effective delivery. As described above, IPC, for instance, provides postal operators with a platform for technical cooperation. Some projects are outlined below which have contributed and will further contribute to an improved interoperability across EU borders.

- E Parcel Group (EPG)

The E Parcel Group is a delivery network providing a high standard parcel service across all member countries. The service is characterised by competitive prices, all key track and trace information based on standard UPU barcodes, and defined targets for delivery and responsiveness to customer service enquiries. The delivery standards generally vary from 1 to 2 days after arrival at inward Office of Exchange. Delivery to all addresses in each country is provided.

In 2012 EPG covered 27 countries, mainly European Union member countries.

The EPG project can be described by the following key elements:

- Reliable, dynamic and robust delivery network at competitive delivery rates;
 - On-going geographic expansion;
 - Development and implementation of new business solutions, including e-services such as Easy Return Solution (ERS), extended item e-Tracking (EMSEVTv3), and Easy Collect Solution (ECS) for consumers purchasing online;
 - Pay for Performance;
 - Standard Customer Service System for Posts to inquire on items if needed;
 - Dedicated monthly performance and billing, electronic reporting by IPC, allowing quick analysis of key performance indicators, intercompany payment, increased paperless activities;
 - On-line e-Tool for performance monitoring and reporting.
- Easy return Solution (ERS): see answer to Question 17 c)
 - Extended track and trace solution (EMSEVT v3): see answer to Question 15
 - Easy Collect Solution (ECS)

In some countries it is becoming increasingly popular for consumers to have their e-commerce parcels shipped to a postal outlet. After notification by SMS or e-mail, they can pick up the shipment whenever it is most convenient for them.

For now, this service is rarely offered cross-border, because e-retailers would need to maintain several databases for different countries with the available postal outlets in other countries. On request of several postal operators, IPC set up a project in 2012 to create a central information hub where the different national databases of postal outlets are consolidated and made accessible to the participating operators. An e-retailer will just need one interface to his domestic postal operator to also access foreign retail points directly.

The service will be operational in the course of 2013.

Q 18. Are there areas which could be effectively tackled by the industry to address the issues identified in this Green Paper? How could this be promoted ? How to involve both ecommerce and delivery industry associations?

E-commerce is a comparatively young market; PostEurop members and the delivery industry in general significantly invest in capacity, services and innovations that are key for e-commerce (see for example answers to questions 10 and 17c) on last mile options and return solutions (including cross-border). The industry is, therefore, actively demonstrating ability and determination to take up the challenges and opportunities offered by e-commerce.

As described in the answer to question 17, IPC is a good example of dealing with cross-border issues involving more than one operator.

Q 19. How should current governance aspects of standardisation and interoperability be addressed? Is there a need to increase involvement of representatives of e-commerce, notably SMEs, and consumers?

Organizations such as the UPU, PostEurop and IPC have significant experience with standardisation and interoperability. One of the UPU entities is the “Standards Board”, which works closely with institutes such as CEN, whose Technical Committee 331 “Postal Services” gathers within its working groups representatives of postal operators, national regulators, ministries in charge of postal affairs, consumer protection organisations, research agencies etc, which constitutes a good platform of cooperation on a broad scope of standardisation issues. At least for Postal Operators the governance aspects are well addressed.

The UPU, through its Consultative Committee, offers a platform for representatives of e-commerce (SMEs or others) and consumers to make their voice heard.

This response is supported by the following universal service providers:

Country	Universal Service Provider
Austria	Österreichische Post AG
Belgium	bpost
Bulgaria	Bulgarian Post
Cyprus	Cyprus Post
Czech Republic	Ceská Pošta
Denmark	Post Danmark A/S -
Estonia	Eesti Post Ltd
Finland	Itella Oyj
France	Groupe La Poste
Germany	Deutsche Post AG
Greece	Hellenic Post - ELTA S.A.
Hungary	Magyar Posta
Iceland	Islandspóstur hf
Ireland	An Post
Italy	Poste Italiane S.p.A.
Latvia	Latvijas Pasts
Liechtenstein	Liechtenstein Post
Lithuania	AB Lietuvos paštas
Luxembourg	EPT Luxembourg
Malta	MaltaPost p.l.c.
Netherlands	Postnl
Norway	Posten Norge AS
Poland	Poczta Polska
Portugal	CTT - Correios de Portugal, S.A.
Romania	C.N. Posta Romana S.A.
Slovakia	Slovenská pošta, a. s.
Slovenia	Pošta Slovenije
Spain	Correos y Telégrafos S.A.
Sweden	Posten AB
Switzerland	Swiss Post
United Kingdom	Royal Mail Group Ltd
Croatia (observer)	Hrvatska pošta d.d.

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