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European Commission / DG GROW
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PostEurop's comments related to the findings of the Postal Main Developments Study concerning profitability of cross-border parcel business

Dear Ms Skonieczna,

We are writing to you with regard to the findings in the Study "Main Developments in the Postal Sector (2017-2021)"¹, which was conducted by Copenhagen Economics upon request by the European Commission and published in January 2023. The study provides an interesting and valuable overview on the developments of the postal sector during the last years and we are grateful to the Commission for conducting this exercise regularly. However, we have a specific concern with regard to chapter 7 of the study, concerning the cross-border parcel delivery market. Here, the consultant develops a generic cost calculation model in order to estimate profit margins earned by operators with cross-border delivery services. The results of these calculations are in our view inaccurate and require clarification.

In preparation of the study, Copenhagen Economics consulted postal operators with detailed questionnaires. These questionnaires, following a specific request in the terms of reference of the tender, among other data asked for detailed information on costs connected with the cross-border parcel transport chain. As PostEurop has pointed out on many occasions and as it should be an accepted fact for the Commission, the parcel industry is of a very competitive nature. Many providers operate Europe-wide delivery networks and compete with both universal service and non-universal service providers of different origin. Also, vertically integrated operators, such as platforms are operating expansive cross-border distribution networks, this does not only concern Amazon SA, the largest eCommerce platform, but many more. Due to the competitive nature of the market, combined with the strictly confidential and commercially sensitive request, it was not possible for nearly all operators approached by Copenhagen Economics to provide any detailed answers on the information request concerning the cross-border parcel business.

In absence of confidential cost data, the consultant in its study developed a generic model to calculate profit margins of cross-border parcel services within the EU. However, this model errs on many important aspects and thus does not reflect market reality. This concerns, inter alia, the conclusions on estimated margins between list prices and cost estimates for cross-border parcel delivery by USPs in the EU27. We strongly question the margin estimates presented. We believe that these findings do not take into account the fact that flows between some countries are low and thus economies of scale are difficult to reach, driving costs substantially up. We also find that some of the assumptions on the three "types of countries" and the shares of each mode of transport may underestimate the importance of air transport, which is significantly more expensive than other modes of transport.

Moreover, we observe that margin estimates are made for year 2020 so we wonder if the important increase in transportation costs caused by COVID in 2020 has somehow been taken into account when estimating transport costs for 2020. The study refers as a basis to a publication on road transport costs in the EU of the year 2019.

¹ <https://op.europa.eu/en/publication-detail/-/publication/e8348d3f-79d0-11ed-9887-01aa75ed71a1/language-en/format-PDF/source-283491598>

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Furthermore, the calculation model only looks at cases where USP A collects a parcel in the senders' country and then conveys it cross-border for delivery by USP B in the recipients' country. This does not, however, take into account that a number of USPs operate their own delivery network in all or some European countries and/or partner with an operator other than the USP in a respective country.

We therefore believe that the findings need to be treated with utmost caution and appreciate that Copenhagen Economics themselves underlines that "*our model relies on generic assumptions. Therefore, results underlie a high degree of uncertainty and should be interpreted with caution*" and notes "*that our model makes several important assumptions and simplifications*" (e.g. generic margins may not cover all relevant costs, low volumes and trade imbalances can imply higher costs).

Finally, we would like to remind you that in many EU countries, prices for universal parcel services are subject to regulation and that under the cross-border parcel Regulation NRAs have assessed cross-border parcel delivery tariffs for some years now. Their findings have shown that only very few tariffs have been indeed considered unreasonably high.

We remain at your disposal to discuss this matter further with you.

Kind regards,



Ms Elena Fernández-Rodríguez
Chairwoman



Mr Botond Szebeny
Secretary General

In copy to:

Ms Christelle Defaye-Geneste, La Poste, Chair of PostEurop European Union Affairs Committee
Mr Achim Schröder, Deutsche Post DHL, Chair of PostEurop E-Commerce Working Group