

Ecommerce Europe's contribution to the consultation on UPU Remuneration Systems

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The efficient and reliable delivery of parcels is an essential element of digital retail and the postal network. International postal agreements at UPU level have favored third countries like China. This has put EU businesses at a competitive and unfair disadvantage. Other regulatory bodies than postal regulators had to step-in to stop the malfunctioning of the postal channel. The introduction of mandatory trackability of all commercial goods delivery is a prerequisite for a functioning digital market. Parcels will have to follow the consumers and not the other way around. Standard delivery has to be supplemented by value-added services. The changes reflecting commercial items sent in the letter channel in the terminal dues system have resulted in a 30% decrease of imports of low value cross-border consignments into Europe. This is because in major EU markets comparable commercial tariffs are available. This shows that it would be unwise to put designated postal operators outside Europe onto a commercially unsustainable path, by establishing artificially high termination fees within the UPU network¹.

Efficient and reliable delivery of parcels is an essential element of both, on the one side, the domestic, EU-wide and global retail and, on the other side, of the postal services. Digital commerce itself is fundamentally changing postal and parcel markets. Global e-commerce can revolutionize shopping through commercial items delivery, but the current parcel service provisions are ill-fitted to accommodate this.

Parcel delivery is a global issue and, over the past years, **international postal agreements at United Nations' (UPU) level have favored third countries like China**. Consequently, the postal channel became the facilitator of counterfeiting, VAT and customs fraud, and benefitted from "at cost" domination fees into Europe. This has put **EU businesses at a competitive and unfair disadvantage** and led to trade disruptions.

It is an alarming consequence of the failure of the European postal regulatory conduct that **other regulatory bodies** – in this case, the financial and customs related regulators – had to step-in and had to create new legislation, the EU VAT Ecommerce Package, in order to stop the malfunctioning of the European postal channel.

While all commercial postal items containing goods have to be **traceable since 2018 in the global UPU postal network**, enforcement of this provision in the EU is still missing. UPU and EU policymakers shall **introduce mandatory traceability for all parcels delivered by any operator**: this is a prerequisite for a functional Digital Single Market in the EU. Furthermore, it empowers EU consumers to decide how they need their goods delivered, and it also helps governments in dealing with VAT, customs, consumer rights and product safety.

This is a **consequence of postal delivery markets becoming less sender and more receiver-oriented**. B2C is supposed to stand for shopping from home and getting the goods delivered at home. As traditional home delivery is not scalable, **an infrastructure with unattended delivery at home or at the workplace shall be established**. Any other setup, such as "Pick-Up and "Drop-Off" (PUDO) ought to be seen as being a solution bridging the period until the final, regulated infrastructure is in place.

Online retail and commerce are consumer driven. Most postal delivery operators (Courier-, Express-, Parcel & Postal operators) are currently engaged in the wrong sorting, the wrong vehicles and even the wrong business model. The current growth in commercial items delivery will need a new approach driven by regulators, **defining a new "necessary infrastructure" accessible by all, including new ways of access**, both up-stream and down-stream to their current delivery value chain.

Therefore, **commercial item volumes are currently the enemy on the last mile**, especially for deliveries that require time window delivery. Due to the wrong regulatory setting, almost all postal item delivery operators

¹ Please note that some Ecommerce Europe's Members cannot confirm the accuracy of the data provided. Based on publicly available analysis and their experience, the current tariffs system requires a reform as it results in uncompetitive conditions for European SMEs. See: Main Developments in Postal Sector (2013-2016), Copenhagen Economics 2018, p. 233

are under extreme pressure when it comes to building facilities for parcel handling. In addition, a permanent lack of drivers increases variable costs as well.

In the view of Ecommerce Europe, representing the interests of 18 national e-commerce associations from Europe, there is a **growing need to have instruments in place, in order to maintain or even further foster competition on a level playing field in the delivery of retail and commercial items**. In specific cases, the EU Postal Services Directive (PSD) provided the necessary legal framework to engage the wider postal stakeholders to already work under mandates to further develop European standards or European standardization deliverables or, where necessary, to revise existing standards in support of the implementation of postal related regulation, including parcel delivery in Europe and globally.

In the future, **parcels will follow the consumers and not the other way around. Interoperability standards**, like the Harmonized Parcel Label, the development of **electronic advanced data** for VAT or Customs and transport security by the European Committee for Standardization, will be instrumental to ensure a **seamless delivery to the end-consumer**.

Standard cross-border commercial delivery services, designed for the changing need of digital retail businesses to serve their customers, **shall reflect**:

- ✓ the necessity of trackability of goods delivered, to comply with European e-commerce consumer protection legislation;
- ✓ the standard requirement of unattended delivery at home;
- ✓ the growing demand to serve consumer preferences as a value-added service;
- ✓ the volume split, into items deliverable into private postboxes and those that are not.

Further development of commerce, and predominately European-wide retail by means of online communication through delivery to consumers, will **require fair competition in a common European Postal Services market**. This includes cross-border postal items sent from third countries to Europe as well.

The recent change in the goods-related postal tariffs of up to 2KG, within the **terminal dues system**, has **led to a decrease of low value consignments** shipped from third countries cross-border into EU / EEA **by approximately 30%**². This is because **comparable commercial tariffs are available in most EU / EEA** countries already matching the current and future rates structure of the UPU system.

Therefore, it would be unwise to put designated operators outside Europe, facilitating postal services cross-border into Europe, onto a **commercially unsustainable path, by establishing artificially high termination fees**. This would yet again lead to a system of bilateral and multilateral tariff agreements to the benefit of the few and to the disadvantage of the many.

About Ecommerce Europe

Ecommerce Europe is the voice of the European digital commerce sector. Through its 19 national e-commerce associations, Ecommerce Europe represents more than 75,000 companies selling goods and services online to consumers in Europe. European merchants still face difficulties when selling online, specifically cross-border. That is why Ecommerce Europe acts at European level to help legislators create a better framework for online merchants, so that their sales can grow further. Ecommerce Europe aspires to be the European platform for digital commerce, where members of national e-commerce associations, direct company members and suppliers can:

- Network and share best practices, exchange information and knowledge on issues concerning their business;
- Work towards promotion, professionalization and self-regulation the digital commerce industry, thanks to projects like our European Trustmark;
- Create better fitted frameworks that can foster online sales at all levels, both domestically and cross-border.

² This figure was disclosed by the Chairman of PostEurop at the last ERGP stakeholder workshop, 28 January 2019, Brussels. Please note that some Ecommerce Europe's Members cannot confirm the accuracy of the data provided. Based on publicly available analysis and their experience, the current tariffs system requires a reform as it results in uncompetitive conditions for European SMEs. See: Main Developments in Postal Sector (2013-2016), Copenhagen Economics 2018, p. 233

Moreover, Ecommerce Europe provides certified online companies across Europe with a European Trustmark label, with the aim of increasing consumers' trust in cross-border purchases.

Contact details

For any questions regarding our contribution, please [contact Walter Trezek](#), Co-Chair of the Ecommerce Europe's e-Logistics Working Group and Chairman of the UPU Consultative Committee or [contact Luca Cassetti](#), Director of EU Public Affairs of Ecommerce Europe.