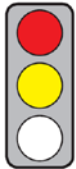


KEY ISSUES

Objective of the Green Paper: The Commission wants to stimulate cross-border e-commerce and, for this purpose, is considering regulating the parcel delivery market.

Parties affected: Consumers, delivery service operators, e-commerce companies.



Pro: Greater transparency of parcel delivery conditions will reduce information costs for consumers and e-retailers.

Contra: (1) There is a general assumption that the alleged slow growth in cross-border e-commerce is due to uncertainties about delivery and this is used to justify intervention in the parcel delivery market.

(2) Obligatory additional services for parcel delivery override the consumer and restrict competition.

(3) Price caps for parcel delivery cause inefficiencies and loss of prosperity.

CONTENT

Title

Green Paper COM(2012) 698 of 29 November 2012: An **integrated parcel delivery market for the growth of e-commerce** in the EU

Brief Summary

Note: In the absence of any indication to the contrary, references to page and footnote numbers relate to the Green Paper COM(2012) 698.

► Context and objectives

- E-commerce is continually increasing its contribution to economic output in the EU. In 2009, e-commerce reached an estimated volume of 100-150 billion euro (MEMO/12/923, p. 4). Cross-border e-commerce, however, is showing a much slower rate of growth.
- In 2010, only 9% of consumers in the EU bought online in other Member States, from 53% in Luxembourg to 1% in Romania (MEMO/12/923, p. 4). Only 18% of all retailers sold online into other Member States (p. 5, footnote 16).
- The uncertainties of cross-border parcel delivery are proving to be an obstacle in this regard (p. 3). The Commission wants to improve the framework for cross-border parcel delivery and thus stimulate cross-border e-commerce (p. 4).
- This is intended to benefit small and medium sized companies (SMEs) in particular, which are "the driving forces of innovation and growth in Europe" (p. 2 et seq.).

► Definitions

- "Parcel" refers to all items weighing up to 30 kg (p. 2).
- "Delivery", for the purposes of the Green Paper, means the shipment of physical goods ordered on-line up to the end customer (p. 2).
- "Delivery operators" are all those who play a role in the delivery process with the exception of the end customer (see p. 2, 11).
- "Universal service" is the statutory nationwide basic delivery service at "affordable" prices (p. 6).

► Market situation and characteristics

- About 10% of parcels fall under the universal service, the prices of which are regulated (see p. 6, 12). The prices of the remaining 90% are subject to open competition (p. 13).
- The prices for delivery services are influenced by (p. 14–16):
 - transport, environmental and safety regulations,
 - working conditions including remuneration,
 - "market surveillance" costs, e.g. product specific quality control,
 - the exemption from VAT for universal service providers and
 - customs, international trade agreements and varying national rates of VAT for cross-border deliveries.

► **Areas of action**

- The Commission has identified four main areas of action:
 - greater transparency for parcel deliveries,
 - improvement in the quality of service for consumers,
 - lower price level, "notably" for cross-border parcel delivery (p. 16),
 - greater interoperability between individual delivery operators and between the delivery operators and e-retailers.
- In addition, the Commission wants to reduce the "negative externalities" of the delivery process and thus promote "sustainable development" (p. 4).

► **Greater market transparency**

- The market for cross-border parcel delivery is complex and lacking in transparency. In particular, the delivery operators are difficult to compare in terms of performance, price, delivery options, possibilities for returning goods and management of complaints. (p. 9, 19)
- This leads to inefficient buying decisions by consumers and provides the delivery operators with little incentive to "improve" their services (p. 18).
- Standard criteria such as performance indicators, trust labels or internationally recognised standards (ISO certification) improve the comparability of delivery operators. Industry organisations, "independent bodies" and regulators may be deployed for monitoring purposes. (p. 18 et seq.)
- The Commission promises that implementation of the Consumer Rights Directive (Directive 2011/83/EU; see [cepPolicyBrief](#)) will give rise to more information and greater transparency (p. 12). In addition, it considers that e-retailers
 - "taking into account the risk of information overload", should provide further information about delivery (p. 18),
 - should provide consumers with "more specific safeguards" on delivery (p. 19).

► **Better quality of service**

- Consumers want more "convenient deliveries". This includes more flexible delivery options, easier return procedures and user-friendly services. (p. 9)
- The increasing coverage of social networks, real-time information technology (e.g. messaging) and mobile devices means that consumers, and particularly the "younger generation" (p. 10), expect "track and trace" options (p. 8) and notification of delivery (p. 9). The Commission is considering whether to regulate these services (see p. 19 et seq.).
- The Commission is considering an extension to the universal service in accordance with the Postal Directive (Directive 97/67/EG), namely a "new definition" of universal services which is tailored to the needs of consumers and e-retailers and sets "minimum standards" for delivery and return options (p. 19; see also p. 12).

► **Lower prices**

- The prices of cross-border deliveries are "on average twice as high as domestic prices" (p. 6).
- Parcel delivery is "labour intensive" (p. 15), has high fixed costs and low profit margins (p. 11). As a result of the high fixed costs and increasing price pressure by major e-retailers, delivery operators are interested in "sustainable tariffs in the long term" (p. 11). They cannot therefore extend discounts applicable to major customers to SME's and consumers (p. 5).
- According to the Commission, delivery tariffs are based more on average values for weight, insurance levels and speed than on the actual cost of delivery (p. 21).
- The prices of parcel delivery should reflect the true cost to society at large, namely in ecological and social terms (p. 22).
- The following may reduce prices:
 - Cost reductions due to more competition, e.g. by "increased consolidation of small volumes" and offering alternative delivery solutions such as relay points or parcel kiosks (p. 21),
 - stricter requirements for delivery operators to provide information on cost accounting (p. 23) and
 - a "more active role" to be played by regulators and competition authorities (p. 23).
- The Commission advocates "some type of price cap" for cross-border parcel deliveries (p. 24).

► **Greater interoperability**

- The cooperation between e-retailers and delivery operators is insufficient and requires a "better sharing of information and more flexible solutions" (p. 11). "Enhanced partnerships" between e-retailers and delivery operators will improve the exchange of information and speed up delivery (p. 25). SMEs in particular are to be better integrated into "digital transport and logistics value chains" (p. 25).
- A publicly subsidised "European delivery network" may lead to a better understanding between e-retailers and delivery operators (p. 4). This should support SMEs involved in e-commerce (p. 10) in particular. Standardisation is needed, particularly of the electronic communication systems of the delivery operators (p. 11).

- Investment in electronic communication systems also opens up the possibility of offering "proactive customer care" and reducing delivery prices (p.25, footnote 65). A more intensive exchange of information and the introduction of a tracking system (p. 24)
 - allows consumers to estimate delivery times better,
 - increases the success rate of first delivery attempts,
 - brings down delivery costs for the delivery operators,
 - allows e-retailers to optimise their stock management and returns procedure and thus reduce administration costs.
- The Commission calls for the creation of logistics platforms for "groups" of delivery operators and the creation of an "industry task force" for the development of innovative technological ideas (p. 26).
- Existing international cooperation could be intensified between (p. 27)
 - national postal services in the European Parcel Group (EPG), which coordinates international delivery by way of a joint tracking system and customer service, and
 - regulators in the European Regulators Group for Postal Services (ERGP), which was established in 2010 by the Commission (Decision 2010/C217/07).

Statement on Subsidiarity by the Commission

The Commission does not go into questions of subsidiarity.

Policy Context

With the Digital Agenda [COM(2010) 245; see [cepPolicyBrief](#)] the Commission is trying to create an EU-wide "digital single market": uncertainty about consumer rights and legal protection in e-commerce should be removed thus stimulating e-commerce. In its Action Plan E-Commerce [COM(2011) 942; see [cepPolicyBrief](#)], the Commission therefore includes the improvement of the quality and coverage of delivery services among its five most important aims to achieve by 2015. Legal certainty and improving consumer protection in online transactions are taken up in the European Consumer Agenda [COM (2012) 225; see [cepPolicy Brief](#)]. In the Commission's view, the Green Paper Parcel Delivery thus fits into the employment policy aims of the overall strategy "Europe 2020" [COM(2010) 2020; see [cepPolicyBrief](#)].

The Green Paper was accompanied by a public consultation which concluded on 22 February 2012. The Commission wants to propose follow-up measures to the Green Paper in 2013.

Options for Influencing the Political Process

Directorate General:	DG Internal Market
Committees of the European Parliament:	Internal Market and Consumer Protection (leading), Rapporteur Pablo Arias Echeverría (EVP Group, E);
Federal Ministries:	Economy (leading)
Committees of the German Bundestag:	Economy (leading); Consumer Protection; EU Affairs

ASSESSMENT

Economic Impact Assessment

In principle, by comparison with traditional markets, e-markets have a greater variety of suppliers and products, more chance to compare, greater price elasticity of demand and lower costs of pricing ("menu costs"). They therefore correspond more closely to the ideal of the perfect market place. It is therefore understandable that the Commission looks favourable on the trend towards buying online.

The problem is that the Commission makes the general assumption that the lower rate of growth in cross-border e-commerce is due to uncertainties about delivery, and considers this to be sufficient grounds for intervention in the parcel delivery market in the variety of ways which it proposes.

Why lower demand for cross-border e-commerce should necessitate greater regulation of the parcel delivery market is not apparent. In fact, more demand would automatically lead to greater competition and therefore to better delivery conditions. Against the background of an apparently functioning market with sufficient competition, an extension of the universal service obligation, in particular, is misconceived. All the more so, since the universal service concept is only aimed at providing a basic service, following market deregulation.

The **increased transparency of parcel delivery conditions**, which the Commission is aiming to achieve, **does reduce information costs for consumers and e-retailers** and therefore prevents inefficient decisions by the consumer. It can also be achieved at a relatively low cost on e-commerce markets by making e-retailers disclose their delivery conditions on their internet sites in accordance with standard regulations. It is therefore generally to be welcomed. Improved opportunities for comparison do not necessarily bring about more competition and lower delivery prices, however, because substantially diverging offers make comparison difficult. On the other hand, in such cases, greater account is taken of the individual preferences of the consumer.

The Commission's view that there is a basic consumer need for additional services, such as internet tracking, and that they should therefore be regulated, is also open to question. **Obligatory additional services relating to parcel delivery override the consumer and restrict competition.** Firstly, not all consumers are connected to the internet or interested in this sort of additional service. Secondly, what the individual consumer is willing to pay may be below the cost of the obligatory additional services. **The decision whether to provide and use additional services should be left up to the delivery operators and consumers respectively.** Where there is a demand and a willingness to pay, competition will do the rest.

Delivery pricing is not the responsibility of the Commission either. Although high fixed costs for parcel delivery can certainly be a barrier to new suppliers entering the market, the low profit margins suggest there is sufficient competition and thus appropriate pricing. Taking account of the true social costs in the delivery prices is, on the one hand, hardly possible without being arbitrary since these costs generally have no market price. On the other hand, they also undermine the aim of achieving a lower price level. Effective **price caps lead** in general to excess demand because suppliers with high costs leave the market and the demand exceeds the available supply at that price. Removing the allocation function of price leads **to economic inefficiencies and generally to loss of prosperity.**

Legal Assessment

Legislative competence

Not currently foreseeable. Legislative follow-up measures to be considered primarily involve Directives and Regulations on the basis of Art. 114 TFEU (Internal Market) and Regulations on the basis of Art. 14 cl. 2 TFEU (Services of general economic interest).

Subsidiarity

Not currently foreseeable. The regulation of purely domestic parcel delivery markets could be problematic in view of the principle of subsidiarity.

Proportionality

Not currently foreseeable.

Compatibility with EU law

Not currently foreseeable.

Compatibility with German law

Not currently foreseeable.

Conclusion

Greater transparency of parcel delivery conditions will reduce information costs for consumers and e-retailers. The problem is that the Commission makes the general assumption that the lower rate of growth in cross-border e-commerce is due to uncertainties about delivery, and considers this to be sufficient grounds for intervention in the parcel delivery market. Obligatory additional services relating to parcel delivery override the consumer and restrict competition; the decision whether to provide additional services should be left up to the delivery operators. Price caps lead to economic inefficiencies and loss of prosperity.