



REPUBLIC OF ESTONIA
COMPETITION AUTHORITY

Overview of the Estonian postal market and future developments

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1. Legislation

1.1 Legislative background

Current Postal Act* came into force on 01.07.2006

One major amendment was made on 01.01.2009 to adopt the Third Postal Directive:

- Introducing affordable price for universal postal service (US);
- Excluding bulk items from US;
- Introducing compensation mechanism for covering the unfairly burdensome costs of US;
- Public competition requirement for US license;
- Abolishing the weight limits of postal items (excluding the US);
- Change of geographical coverage of a license (western part, eastern part or whole country);
- Clarifying the requirements for access of postal network.

* <https://www.riigiteataja.ee/en/eli/520062017019/consolide>

1.2 Postal services

Postal services with license requirement:

- forwarding of items of correspondence as ordinary, registered, insured or bulk items;
- forwarding of postal parcels as ordinary, registered, insured or bulk items.

Postal services with notification requirement:

- Forwarding of direct mail;
- Forwarding of periodicals;
- Forwarding of express items;
- Forwarding of other items.

1.3 Requirements of the US

Collection and delivery of postal items must be granted on all working days and not less than five days a week and once a day throughout the whole country.

Permanent exceptions on national holidays and public holidays and in the case of an island which does not have a regular ferry, boat or flight connection which allows delivery of a postal item with the prescribed frequency.

Only domestic ordinary letter does have delivery speed standard which is D+1 90%.

One post office in every town and parish. If a parish has over 2500 residents, at least one additional post office must be set up. In towns there has to be one post office for every 20 000 residents. Service must be granted at postal user's location in rural areas, if the location is more than 5 km away (public roads) of the nearest post office.

At least two letter boxes in every town and parish. Maximum average distance between letter box and postal user in town may be 3 km. Maximum distance between letter box and postal user in parish may be 5 km.

1.4 US compensation mechanism

Burdensome costs shall be compensated for out of the US charges.

Charges are paid by companies holding postal service license.

Charges are paid out of licensed postal service (percentage of turnover or fixed amount per unit) which is:

0 - 5% of turnover of licensed postal services (not in use) or:

- Forwarding of items of correspondence as ordinary items 0.00 - 0.19 euros per unit (actual charge is 0.08 euros);
- Forwarding of items of correspondence as registered and insured items 0.00 - 1.60 euros per unit (actual charge is 0.40 euros);
- Forwarding of postal parcels as ordinary, registered and insured items 0.00 - 1.15 euros per unit (actual charge is 0.00 euros).

USP provider may submit an application to the Competition Authority once per quarter.

The Competition Authority shall verify whether the specified costs are justified.

If these costs are burdensome to the USP, then they shall be compensated but only to the extent to which the price charged from users does not enable covering of the costs related to performance of the USO and ensure a reasonable profit.

2. Universal postal service

2.1 Defining US

Continued and high quality provision of postal services provided for at an affordable price throughout the whole country:

- forwarding of items of correspondence weighing up to 2 kilograms as ordinary, registered and insured items;
- forwarding of postal parcels weighing up to 20 kilograms as registered and insured items.

Forwarding of periodicals, direct mail, express items and bulk items is not considered US.

2.2 US tariffs

There was no price change in 2017.

Price increased 10.6% (average) on 01.01.2016.

It included all services and price categories within the US.

Cheapest letter price rose from 0.55 euros to 0.65 euros.

Cheapest parcel price rose from 3.69 euros to 3.84 euros.

US has no discounts.

Monetary impact on the US revenue was about 0.9 million euros in 2016.

Pricelist of US letters:

<https://www.omniva.ee/public/files/failid/hinnakiri-kiri-upt-era-est-en-2017.pdf>

Pricelist of US parcels:

<https://www.omniva.ee/public/files/failid/hinnakiri-pakk-standardpakk-era-est-en-2017.pdf>

2.3 Overview of the USP

Estonian Post Ltd. (native name AS Eesti Post; international name Omniva)

Parent company with 3 subsidiaries (payment centre in Estonia and postal companies in Latvia and Lithuania)

100% state owned company

Won public competition and holds US license for five years (2014 – 2019)

Holds two more licenses for forwarding letters and parcels

Offers all possible postal services described in the Postal Act

Operates in the Baltic States

Owns constantly growing parcel locker network in all Baltic States (currently 132 in Estonia and 144 in Latvia and Lithuania combined)

US revenue used to be major part of company's total (almost 60% in 2006) but has rapidly decreased ever since (below 20% in 2016)

2.4 USP in numbers (2016)

Indicator	Number
Own postal outlets	150
Outsourced postal outlets	171
Letterboxes	1845
P.O. boxes	2574
Parcel lockers	124
Places where only stamps are sold	261
Motorised mailmen	226
Workers	2244
Workers involved in postal services	1804
Total turnover (million euros)	91.5
Profit (million euros)	1.9
US related complaints	1492

2.5 US fund

Current US charge rates are in force since 01.04.2014

- Ordinary letter 0.08 euros;
- Registered and insured letter 0.40 euros;
- All parcels 0.00 euros.

US charge is paid by Express Post Ltd. and by Estonian Post Ltd. Table shows only the data of Estonian Post. Data of Express Post is confidential but it is rather marginal.

Estonian Post	2012	2013	2014	2015	2016
Compensation	4 333 425	2 282 158	2 555 033	1 299 356	1 234 164
US charge	4 239 168	3 661 707	1 688 477	1 451 237	1 296 797
Net compensation	94 257	-1 379 549	866 556	-151 881	-62 633

3. Statistics

3.1 Postal service providers

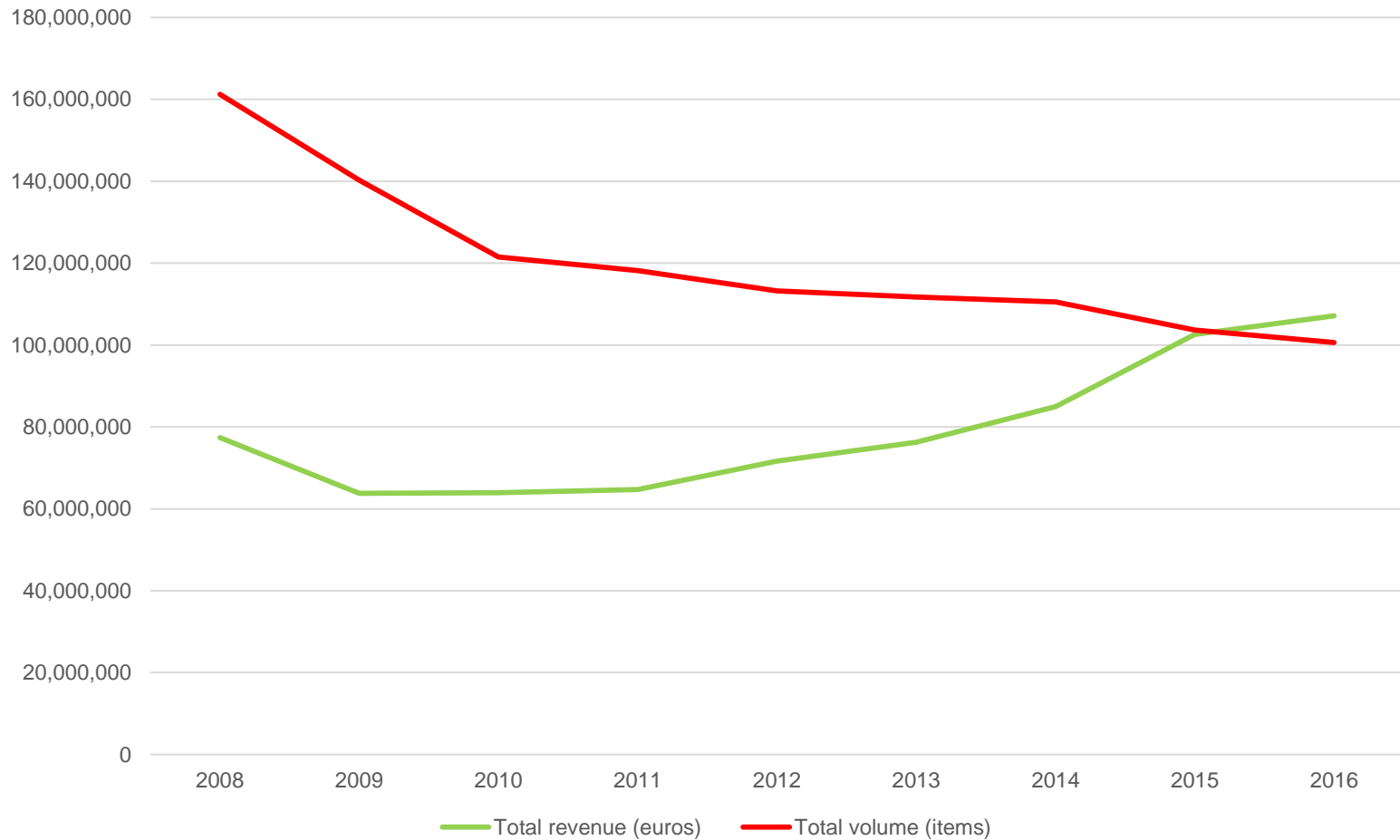
Name of service	2013	2014	2015	2016
Universal postal service (US)	1	1	1	1
Forwarding of ordinary, registered and insured letters	2	2	2	2
Forwarding of registered and insured parcels	1	1	1	1
Forwarding of express items	47	49	50	53
Forwarding of direct mail items	10	10	10	10
Forwarding of periodicals	8	8	8	8
Other postal services	8	9	9	10

Table shows the number of registered providers but some were actually inactive e.g. in 2016 there were 25 active express providers, 3 direct mail and periodicals providers and 1 other service provider.

Other postal services include advice of delivery, money order, delivery of pensions and parcel terminal services of Estonian Post. Other companies do not provide such service.

Unaddressed mail is not considered postal service.

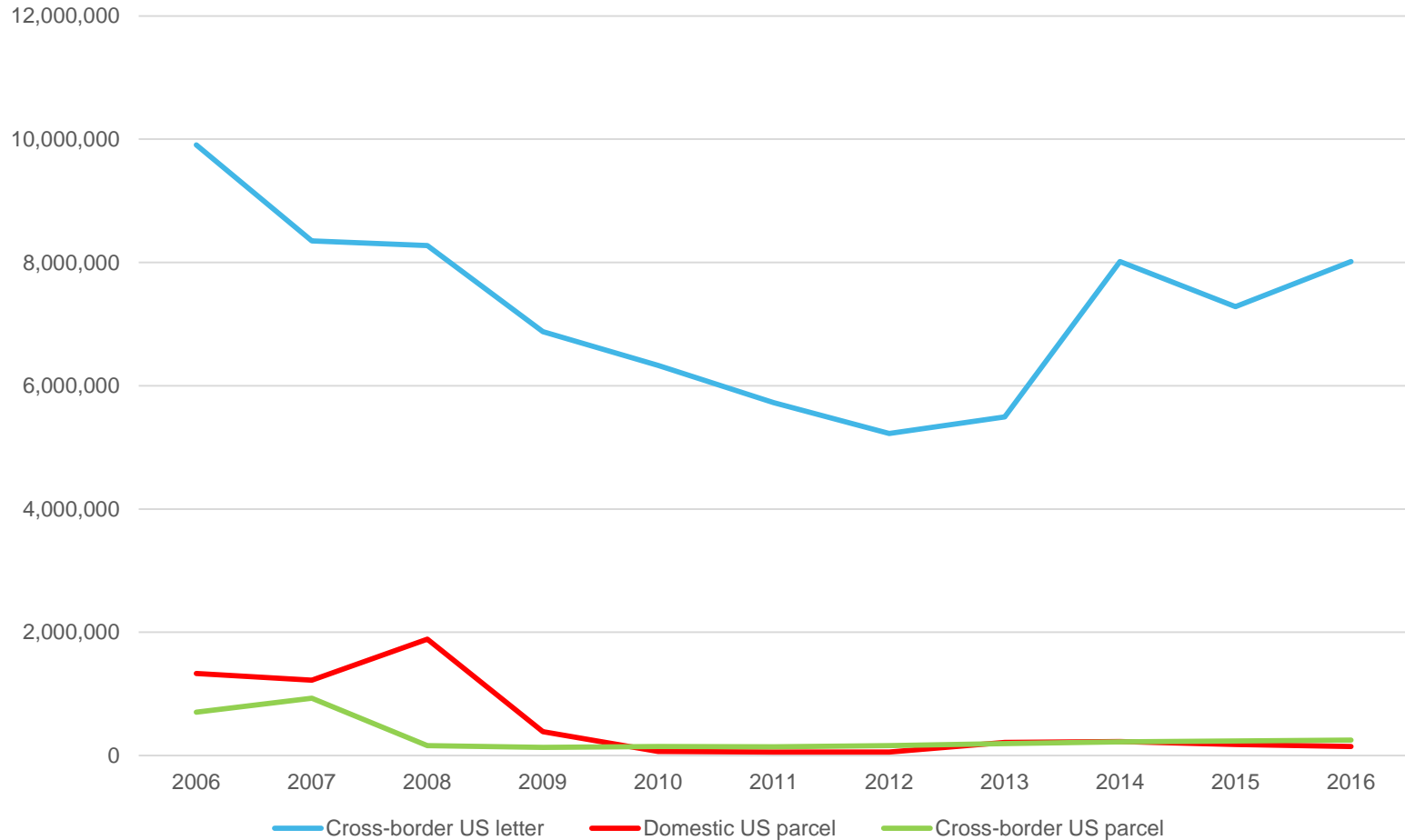
3.2 Postal sector dynamics



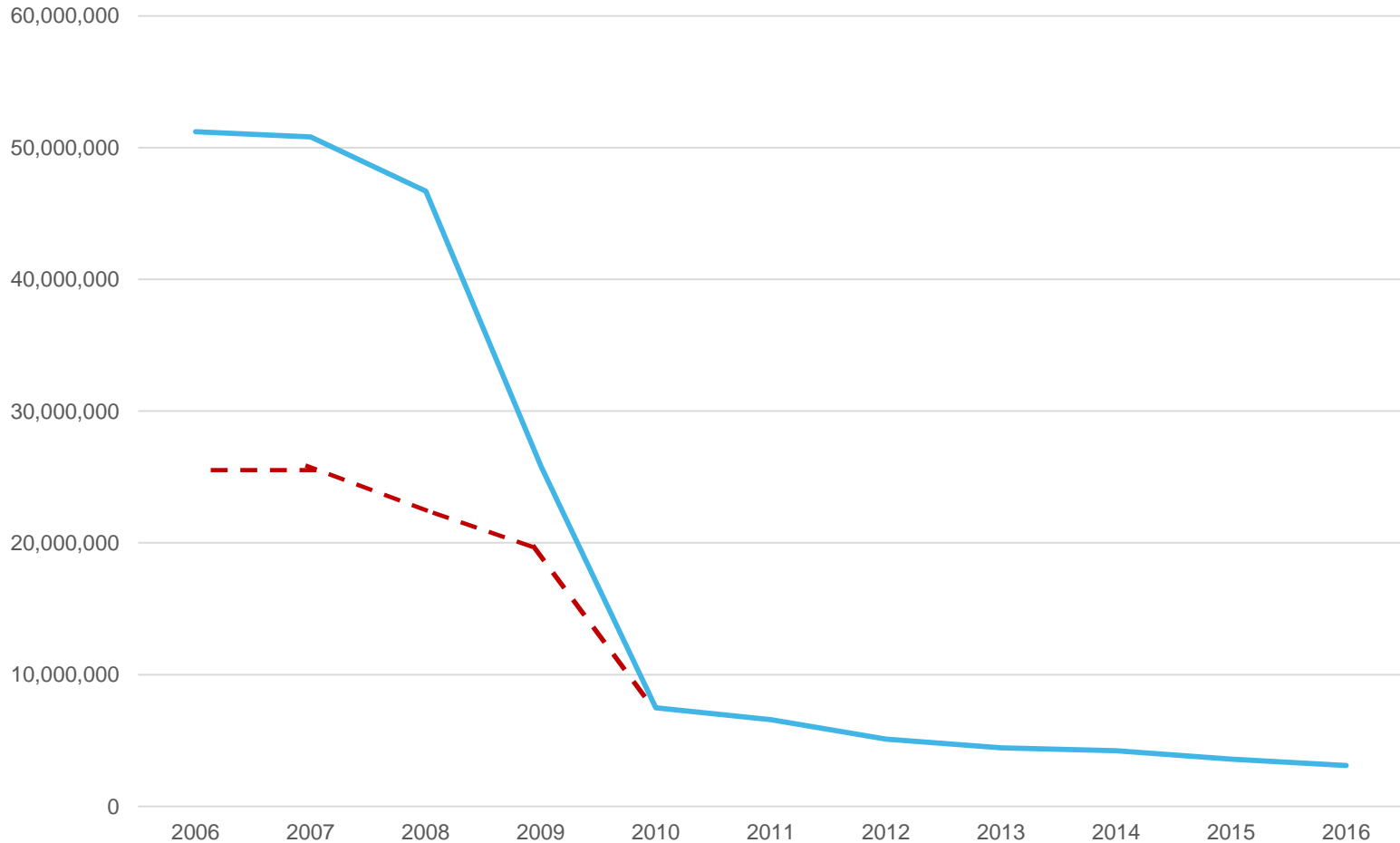
Delivery of direct mail has decreased 40% in 10 years and delivery of periodicals 30% in 8 years.

3.3 Volume of US items

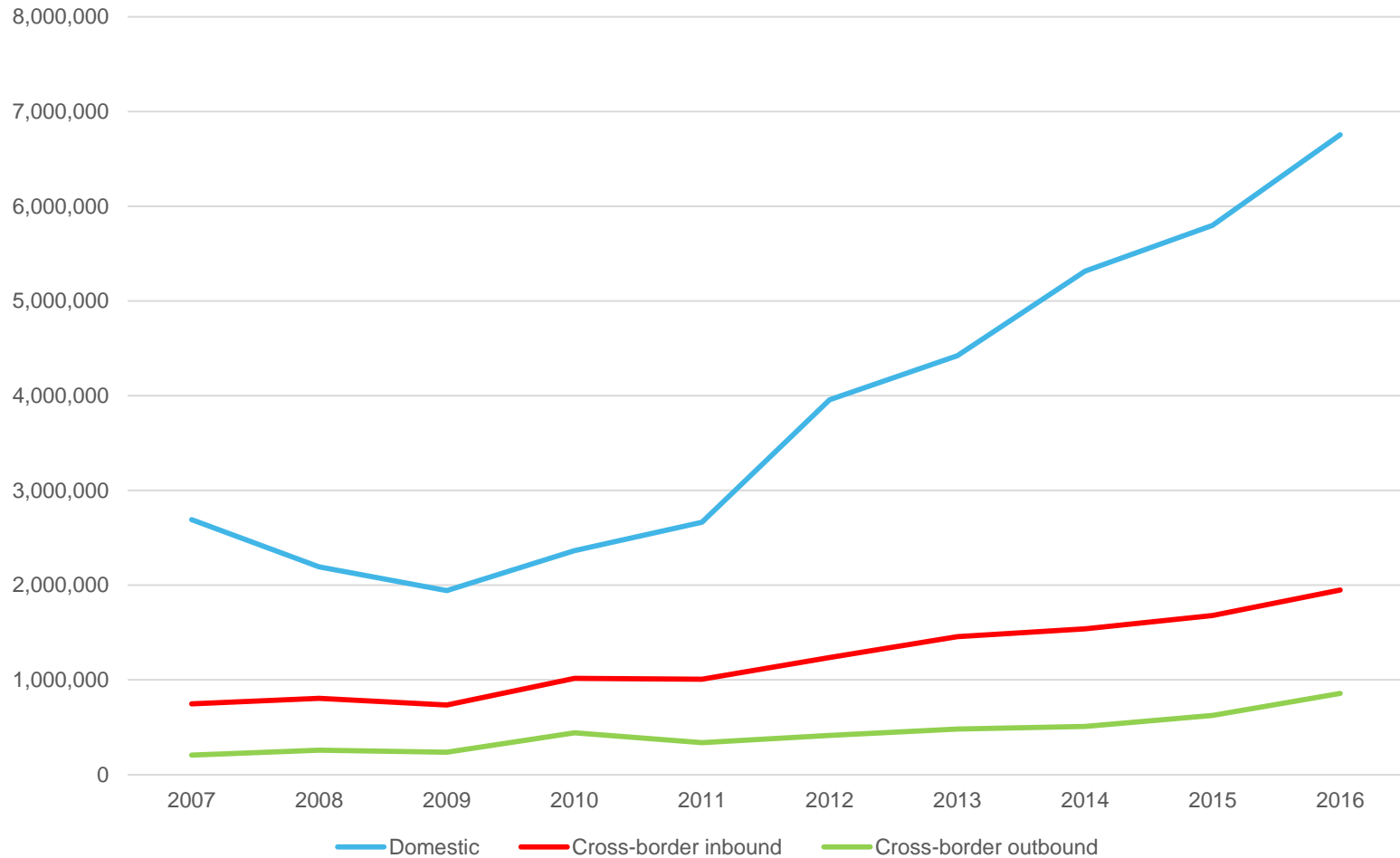
(excluding domestic US letters)



3.4 Volume of domestic US letter



3.5 Volume of express items



4. Innovation and future

4.1 Innovation and future

Use of parcel lockers as an access point (incl. US)

Tests of parcel robots for last mile delivery

Motorised mailmen as a substitute to postal offices in rural areas

Electric mopeds for delivery personnel

Selfservice in the USP's e-environment

Postal item arrival notifications directly to your phone or e-mail

New ways for hiring workers (GoWorkaBit)



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Thank you!

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