ERGP 4th Stakeholder Forum
27 September 2023

Session IV: Regulatory Round Table - Do we need postal specific regulation to manage the twin transition of the postal sector?

Dimitris Theodorakis
UNI Europa – Post & Logistics

The Postal Services Directive (PSD) liberalised the postal market. At the time, it was argued that liberalisation would bring about increased quality, more efficiency, better customer-orientation; lower prices; and stronger growth to create more and better jobs. This has failed. After decades of postal liberalisation, we see very limited competition in letters and only in the profitable areas, so-called cherry-picking.

Postal sector employment is influenced by developments in competition, technology, e-commerce, changes in the Universal Service Obligation (USO), and the Covid-19 pandemic amongst others. In 2021, the total postal and courier sector (USPs and non-USPs), employed about 1.5 million people across the Member States. This is higher if you include subcontracted workers, which are not counted. Postal liberalisation has significantly deteriorated working conditions. We see the introduction of flexible employment models, heavy reliance on outsourcing models of subcontracted work, and use of self-employed at significantly more precarious working conditions and lower remuneration levels.

To face the shrinking letter market, companies diversified, notably in parcels. Postal companies adapted to competition by becoming cheaper, more efficient, and more flexible. Competition in the parcels market is very fierce and is based mainly on price not quality. This puts pressure on wages and brings about social dumping through unfair competition. Services provided to the public are constantly being reduced. Social and geographic cohesion is losing importance and affordability comes at the cost of lower quality.

Part-time employment is prevalent along the use of subcontractors and self-employed workers. Temporary agency workers mainly cover peak e-Commerce periods. To be competitive in the parcel sector, postal companies use low labour-cost models, cut employment, freeze wages, reduce pay, and create new job categories. We see a **drop in the quality of employment coupled with the deterioration of working conditions**. Overall, the postal industry saw an increase in atypical and precarious forms of employment both at Universal Service Providers (USPs) and non-USPs.

Employment in the sector is influenced by two main market developments: letter volumes decline and parcel volumes growth. Parcels became of crucial importance for national economies. However, in the Courier, Express and Parcels segment, competition is mainly based on prices and not quality. This is different to postal regulation and its quality requirements. Competition on prices in network industries is almost exclusively based on salaries.

Postal companies adapted to competition. They downsized the postal networks and introduced more precarious and new forms of employment. USPs reduced expensive employment contracts and use cheaper employment patterns, such as on-call work, temporary agency work, outsourcing, sub-contracted workers, and self-employment; we witness more performance-related pay and recruitment problems because of demographic changes (aging societies), lack of qualified drivers and lack of attractiveness of the sector.

Subcontracting is common practice especially in parcel delivery. This has resulted in a two-tiered labour market consisting, in one part of company or sectoral collective labour agreements and the other part of non-standard contractual arrangements. Trade unions raise concerns over precarious forms of employment in subcontracting chains, notably in subcontracting cascades leading to unclear responsibilities between the parties. There is a different regulatory application when it comes to parcel delivery which exacerbates competition among workers in the parcels segment.

Outsourcing and subcontracted work stem from pressure exerted by low-cost labour models of competitors which impact the capacity for postal operators to diversify and meet market needs. Across the EU, citizens ought to consume postal products based on an informed choice between operators. The choice becomes informed if all market players abide by similar legal and regulatory standards, which is currently not the case.

Postal trade unions want to uphold the mission of services of general economic interest to benefit the citizens and the consumers. For this, **market operators must compete within a regulatory level-playing field including social and environmental standards**. The growth of e-Commerce is crucial in upholding the role postal services play in promoting social and territorial cohesion. Citizen's rights to send and receive parcels in a reliable and affordable way implies strong market regulation that guarantees good working conditions, decent wages, and a high quality of service.

In revising the postal services directive, we must impede instances of unfair competition and social dumping and promote good practices in terms of employment conditions, environmental performance, and quality of service. That is why postal trade unions favour sector-specific regulation to achieve a level-playing field with a minimum floor set at EU level.

Delivery has a price and free delivery offers create market distortions with pressure on prices, which in turn affect worker's terms and conditions. **Market liberalization must be accompanied by social cohesion measures that guarantee decent wages and good working conditions for all market players involved in the postal supply chain**. This can either be achieved through sectoral collective bargaining or through regulation at European and national levels.

We see regulatory fragmentation between letters and parcels. The ERGP has called for an update of the definitions in the PSD, notably the scope of the USO when it comes to parcel delivery and market boundaries between the postal markets and the 'adjacent markets' of parcel delivery and online platforms. We witness two-tiered labour markets impeding a level-playing field. In parcel delivery, competition is based on prices and the prices are mainly composed of labour costs. Pressure on prices to compete for the parcels market segment puts additional pressure on wages and working conditions. When this is coupled by regulatory fragmentation, then competition is unfair as market operators compete based on their employment models. This constitutes a market failure.

It is no longer sustainable to consider the parcels market as a separate adjacent market which does not follow postal regulation and engages extreme competition in terms of wages and employment models, exacerbating an already fragmented postal internal market in Europe. We need to address the ‘free delivery’ advertisement of e-retailers as postal operators must compete with the Courier Express and Parcels in a non-level-playing field. A big bulk of the e-Commerce volume is simply dropped onto the postal network. **We must act together to stop the witnessed race-to-the-bottom in the last-mile delivery of the e-Commerce good**.

Trade unions promote good practices in terms of employment conditions, environmental performance, and quality of service. **That is why we favour sector-specific regulation to achieve a level-playing field with a minimum floor set at EU level**.

Delivery has a price and free delivery offers create market distortions with pressure on prices, which in turn affects worker’s terms and conditions. **Market liberalization must be accompanied by social cohesion measures that guarantee decent wages and good working conditions for all market players involved in the postal supply chain**.

Speech delivered by Dimitris Theodorakis on behalf of UNI Europa, Post & Logistics