

19 February 2013

**EEA RESPONSE TO EUROPEAN COMMISSION GREEN PAPER ON AN INTEGRATED
PARCEL DELIVERY MARKET FOR THE GROWTH OF E-COMMERCE IN THE EU**

The European Express Association (EEA) represents express delivery companies and associations, both large and small, in Europe. The express industry currently employs 250,000 people and delivers more than 450 million packages each year connecting large companies and SMEs to all regions of the single market.

As integrators, EEA members developed complex shipping operation systems which allow them to provide fully integrated door-to-door delivery services within Europe and across the world. As it not only provides vital services for the European economy but also plays a significant role in making the global marketplace a reality, the EEA has always fully supported the creation of the single market for postal services, transport and customs, as well as, the development of trade agreements.

E-commerce delivery volumes are increasing rapidly

- The EEA welcomes the European Commission's Green Paper on cross border delivery and e-commerce and shares the Commission's view that e-commerce is an important factor in the process of developing a modern and competitive European economy.
- Although online purchases are today only a small part of the overall retail market, the EEA agrees that further growth of cross border trade – specifically for SMEs - will benefit from e-commerce as a transaction platform.
- EEA members have been providing fully integrated added value cross border delivery solutions for many years and fully support **growth through e-commerce** as the latter is naturally very dependent on reliable delivery services as a fulfillment component of the transaction between buyer (consumer) and supplier (e-retailer).
- Continuous growth in e-commerce deliveries by EEA members confirms that solutions are available to meet growing demand. EEA members offer to their customers a broad and

varied range of express time and day specific delivery services, including traceability and innovative access tools to shipment information, that result in a choice of delivery options for urgent and valuable shipments. E-retailers/on-line shopping operators have the possibility to pick and choose from this “menu” the delivery services options that they consider best adapted to the needs of their customers – the end consumers – and integrate in their websites this information and delivery data in order to make it available to the end-consumers.

- Express delivery operators are a natural ally of the e-commerce sector, notably because of key features offered by operators:
 - Fully integrated business model
 - Flexible service
 - Competitive pricing
 - Added value services: return services, timed delivery, choice of delivery location, carbon neutral shipping;
- While delivery service providers are a necessary element of the supply chain for e-commerce, they are 3rd parties to the agreement between the end consumer and the e-retailer. Despite general consumer perception, delivery service providers are carrying out a service for the e-retailer, according to specifications as defined in the agreement between the e-retailer and the delivery service provider.
- The Express sector is highly dependent on customer satisfaction – choice allows the customer to switch, quality keeps him on board. This principle ensures a high level of customer satisfaction.
- The EEA strongly believes that the forces of the free market guarantee that ubiquity, affordability and quality of delivery services are being met. Fierce competition between delivery service providers, and not least between EEA members themselves, ensure that potential shortcomings in terms of servicing are sanctioned by their customers, ie e-retailers. Given competition in the express sector, e-retailers can easily choose with whom they want to work. This mechanism ensures the best service possible for the e-retailer, at a mutually agreed price.
- As a result of that competitive environment, express operators constantly look for practical solutions to improve the quality of their services and to innovate using available technologies. For that purpose, some of integrators’ crucial concerns are to optimize their respective operations to make them more efficient, flexible and quick and to find practical solutions to ensure optimum success on the first attempt deliveries (e.g. “failed deliveries” when the recipient of a shipment is not available to receive the shipment generates costs and adds complexity for the delivery operator).

Making delivery more efficient

- The EEA has identified a number of obstacles to the growth of e-commerce and efficient delivery in general, making it difficult for market participants to use the full potential they have to offer, especially on a cross border basis. Here, the European Commission has significant room to improve market conditions by creating a positive legislative and regulatory environment for e-commerce and delivery services. Examples include notably:
 - Customs: maintain current simplifications, promote e-customs and raise the level of the “de minimis”.
 - Abolish restrictions on road transport cabotage
 - Enable efficient urban delivery solutions
 - Promote the use of the European Modular System (EMS)
 - Allow integrators to perform ground handling services for all aircraft dedicated to their network.
 - Promote the application of the Balanced Approach to aircraft noise and take into account that next-day delivery services require shipments to be transported at night (including by air for most destinations).
- At the same time the EEA notes that efficient cross border delivery of goods should also take environment and climate related objectives into account. Whereas growth in e-commerce will result in an increase in shipments, delivery service providers consolidate shipments in their network. Delivery service providers will continue to organize their pick-ups, transportation and deliveries in an optimized way which helps to limit the impact on the environment.

Better integration of existing solutions is the answer

- The EEA recognizes that express delivery services cater for a specific – added value and time definite – need in the delivery market. These services compliment other delivery solutions used by e-retailers, resulting in a broad range of delivery options for the end-consumers. Individual express delivery operators provide solutions for a large number of the issues and concerns raised in the Green Paper, specifically related to enhancing the interaction between the end-consumer and delivery operator.
- Better integration of these solutions in the e-retailer hosted e-commerce platform can resolve a large number of the concerns raised in the GP. Good webshops will set the standard for the e-commerce market. Good webshops will include a range of delivery solutions and options as an integrated part of the e-commerce shopping experience to avoid



consumer disappointments. This is not always the case today, resulting in valid concerns from consumers. Shipping solutions and data of the express delivery can be integrated in the e-retailer's website and ultimately be presented in an easy to use and if required anonymous way to the user. The EEA is however of the opinion that better integration of existing delivery services can address these concerns without further regulatory intervention.

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Please note that the EEA has decided to bundle certain questions and to respond to several questions (or sub-questions) with one response. This comes in an effort to be concise and avoid repetition.

The regulatory and institutional framework for the EU parcel delivery market

Q1) For the purpose of this Green Paper, 'parcel' is defined in the broadest sense and includes all items weighing up to 30 kg. Are there particular elements which in your view are of crucial relevance for the qualification as 'parcel' in the context of the ambition to achieve a more integrated, well-performing parcel delivery market in the EU?

EEA Members do not consider that a further definition of parcel is needed. Given the Commission's focus of the current initiative lies on delivery services for online purchases, the broad definition in the Green Paper appears appropriate and a more precise definition is not necessary. Operators in the express sector refer to the generic term "shipments" which broadly covers any type of package or freight travelling on a single (Air) Waybill. A narrow definition would risk stifling market development and innovation.

There are no particular elements that are of crucial relevance for the qualification as parcel. The shipment flows generated by e-commerce and e-retailers are characterized by a broad range of sizes and weights of shipments. This is driven by the nature of the products shipped and the efficiency of packaging from a quality and pricing perspective for the shipper.

EEA members use weight and dimension based pricing methods. This suits well with the needs of our customers. Our operational systems are designed to handle a large variety of shipment dimensions. Besides, our networks are integrated, and designed for cross border movements.

Q2) Is, and if so to what extent, the existing framework an obstacle to the creation of a truly integrated European parcel delivery market that meets the needs and expectations of e-retailers, consumers and workers in the sector?

There are various frameworks that impact parcel delivery. They provide for various opportunities to have a more integrated delivery network.

The Postal Framework

The framework set by the EU Postal directives does not provide an obstacle as such. Since the EU Postal market is technically fully liberalized as of this year, creating additional regulations, especially in the highly competitive parcel market, moves away from the concept of a liberalized market and puts a limit to continuous innovation of new products and services. In a liberalized market, consumers should have the option to choose from a variety of carriers and services. From a pan-European operator's perspective the difference in national postal regulatory frameworks, resulting from transposition of the EU directives, does create an obstacle for operating a pan-European express delivery network in an efficient manner. Though the Postal Directive provides a roadmap to ensure affordable, efficient and good-quality postal service across the EU, the interpretation, implementation and management of the directive varies by each Member State's national regulating authority (NRA). NRAs for some Member States impose rules that are restrictive and create a high barrier of entry for new postal operators even when they operate outside the scope of Universal Service.

Other Frameworks

The Green Paper also refers to competition law, consumer protection rules and transport and other rules. We do see obstacles to the creation of a truly integrated European parcel market, notably in the areas of customs, transport and competition.

CUSTOMS

The following customs issues do not relate to intra-EU movements for goods in free circulation but they are important aspects of international e-commerce flows.

- With the adoption of the **Modernised Customs Code** in 2008, the EU committed to the objective of creating a pan-European electronic customs environment, which is an essential enabler for fast delivery of parcels. The proposal for a recast of this Code – The Union Customs Code – currently under review by the Parliament and Member States, risks undermining some of the most emblematic simplifications that were originally foreseen such as centralised clearance, transit simplification by air, and the principle of electronic declarations.

- The current state of EU customs policy actually restricts the development of e-commerce, and urgently needs an overhaul and reaffirmation of the key principles agreed upon in 2008. Customs formalities can vary considerably from Member State to Member State with some offering simplified e-Customs solutions whilst others maintain outdated paper-based processes which often cost more than the value of the product being imported.
- This is completely at odds with the principles of the Customs Union. In today's electronic world, most contractual documentation between the buyer and seller is delivered electronically. Customs administrations should look to recognize such electronic information exchanged between the buyer and seller including the invoice and confirmation of payment.
- **Immediate release of goods:** Key to facilitating e-commerce is a system of customs clearance that embraces the technological world in which consumers and suppliers operate, these would include:
 - A need for immediate release of goods, i.e. fast and simple clearance procedures, with littlest possible formalities.
 - Keeping costs low through low administrative burdens during clearance (electronic exchange of data with customs).
 - Taxes set at a realistic rate with the focus to achieve a balance between the costs of assessing and collecting customs duty and the revenue raised.
 - Modern payment facilities which make paying taxes as easy as paying the seller for the product. The only real manual intervention should be the physical inspection of high risk shipments. Everything else could be done remotely and electronically.
- **De Minimis:** The EU has low de minimis levels. The current de minimis for duties is €150, for VAT €22. By comparison: Australia – €808; US – \$200 (proposed \$800). In many cases it costs both the administration and the shipper far more in administrative costs to collect duties than the actual amounts of duties collected. Research undertaken in certain countries shows that a higher de minimis level will reduce government costs, cut overall compliance costs, improve delivery times and encourage low value imports, especially direct purchases by consumers and small businesses from foreign suppliers.

TRANSPORT

- **Fully liberalize cabotage in road transport:** The Internal Market for carriage of goods on road should be fully completed. This will help to decrease the current 30 % of empty trucks running on European roads causing unnecessary greenhouse gas emissions. The current national cabotage restrictions prevent transport operators from using a lorry to its utmost efficiency and run optimized supply chains for the benefit of European industry, including those active in the e-commerce sector. This prevents road transport operators from reducing unnecessary congestion and pollution and creates inefficient logistics networks and leads to higher costs.
- **Enable efficient city logistics solutions:** Congestion and inappropriate city access restriction schemes hinder the efficiency and effectiveness of express delivery in city centers. The express sector therefore encourages measures that can facilitate city delivery distribution and at the same time reduce congestion, costs and the environmental impact of urban freight transport and improve road safety. This can be done by enabling new delivery solutions put in place after thorough impact assessment and with constant dialogue with all stakeholders including the express sector. Given the importance of express delivery for the economic viability of inner-cities, such measures should improve the accessibility of, and mobility within, city centers for express delivery vans (for example, by allowing our vans to use bus, taxi and carpool lanes).
- **Promote the use of European Modular Systems (EMS):** The express sector has the particularity to have significant frequencies and volume on a determined network, for instance between air hub and road hub. The use of the European Modular System (EMS) or Ecomobis for such hub to hub operations for instance on suitable road infrastructure and on trans-border routes would have the effect of significantly reducing congestion, fossil fuel use, and exhaust gas emissions. Cross-border as well as national trials should therefore be encouraged as a mean to clearly demonstrate the positive effects of EMS.
- **Allow integrators to provide ground handling services to all aircraft dedicated to their network:** Integrators provide an integrated door-to-door express transportation service. Ground handling of aircraft and cargo is an integral part of this service provision and allowing integrators to handle all aircraft dedicated to their network will enable integrators to control all aspects of the service provision process.
- **Night flight restrictions:** The Green Paper often refers to customers' requirements in terms of speedy delivery of goods delivered on line. In this regard, it needs to be borne in mind that

cross-border next-day delivery services can only take place if the goods are transported at night. Night flights play a critical role for cross-border delivery services, yet the number of restrictions on night flights tends to increase throughout Europe. Therefore, the Commission should focus on a better application of the “Balanced Approach to noise” as defined by the International Civil Aviation Organization (ICAO) to ensure a rational process to address noise issues at local level.

These are examples of important impediments to the development of the delivery market. Addressing issues such as those identified above could make the European transport and delivery industry more competitive and may lead to reduced costs, benefiting EU businesses and thereby the EU economy in general.

Finally, EEA members would also suggest that all Commission Impact Assessments from all Directorate-Generals should take into account the impact of the proposed measure on the growth of the e-commerce and of the logistics sector.

Q3) What are the top three challenges posed by the regulatory framework? What could be done to help you respond, in the short and long term, to these challenges?

The EEA sees the following three regulatory issues as the biggest challenges to the creation of a truly integrated European parcel delivery market:

- 1) Enable efficient city logistics solutions (urban mobility)
- 2) Night flight restrictions
- 3) The EU customs rules urgently need to be adapted to new market environment and demands, using IT systems to facilitate trade flows.

Q4) Do you consider there are regulatory gaps or a need for additional measures/regulation? If so, please specify.

The EEA does not see any regulatory gaps in the postal regulatory framework. This being said, the EEA has identified a certain number barriers to the creation of a truly integrated European parcel delivery market (cf answer to Q2).

Improving consumer experience and convenience- more transparency

Q5) Information on delivery options and modalities

a) Which information should be made available to consumers on the e-retailer's website (name and contact details of the delivery operator(s), the delivery price, the time and place of delivery, information about complaint handling, track and trace options, return options)?

b) Taking into account the risk of information overload, what could be done to provide consumers at the right moment with clear, transparent and comparable information on delivery?

EEA members do not think there should be an obligation concerning the extent or content of the information e-retailers should provide to customers regarding delivery.

Industry-supported trust labels are a good way of increasing consumer confidence and are already being used in certain markets. However, the EEA doesn't believe a regulatory obligation should be introduced concerning trust labels, certification or performance indicators.

Information to consumer should not be an obligation, nor an overload.

While e-retailers should be free to determine the level of information they want to provide, they can perfectly choose to offer the possibility to customers to select different delivery options. For each delivery option, the e-retailer can also decide whether to provide price, expected time of delivery and conditions of delivery. The e-retailer also has a possibility to indicate which operator will undertake the delivery, what the general conditions are, and how to track the delivery. It indeed belongs to the e-retailers to determine which information made available by express operators they want to provide to their customers.

Q6) Information on the quality/performance of delivery

a) Performance indicators relate, for instance, to the speed of delivery, the geographic coverage of the delivery operator, delays, damaged or lost items. How can such performance-related information be measured and gathered? Would publishing the results of such performance indicators create

added value for consumers? Is there a need to develop standards to monitor such performance levels?

The EEA believes that no performance indicators should be imposed and that there should be no regulations to define the extent or content of the information e-retailers should provide to customers regarding delivery.

While transparency is crucial we believe the consumer should not be overloaded with information. We encourage e-retailers to design websites and their content in a user-friendly way.

E-retailers have a possibility to include a choice of delivery options in their website, offering urgent and non-urgent delivery options and with a broad geographic coverage. E-retailers are able to include delivery performance reports in the consumer information, using existing technology and data sets provided by the delivery operator.

Consumers will benefit first and foremost from having clear information on the delivery times (transit times) available to them via the e-retailers website. They are likely to select the delivery option (and operator) based on the urgency of the shipment and the impact of the delivery option on the overall purchase price (including delivery).

The e-retailer will have a significant interest to make sure that the delivery operator maintains high service levels as this will also reflect on the quality of the e-retailers service. Publishing some sort of performance indicator on the e-retailer website can be an incentive for the delivery operator to perform according to agreed service levels.

Standardization of service and tariffs would result in a reduction of choice and flexibility.

Industry-supported trust labels are the preferred way of increasing consumer confidence and are already being used in certain markets. ISO certification would not result in significant performance improvement as it merely seeks to document processes.

Regular surveys and mystery shoppers, conducted by consumer organizations or other bodies, usually create a good incentive for delivery operators to maintain a high level of performance.

b) Would trust labels (e.g. a certificate given by an industry association that the delivery process of an operator can be trusted as they meet requirements based on best practice) offer a more efficient way to increase consumers' confidence?

The EEA fully supports the idea of trust labels.

c) Would ISO certification of a quality process aiming at efficient delivery be an appropriate tool to increase consumers' confidence?

The EEA does not believe that ISO certification would bring benefits.

Q7) Independent supervision: Who should take the lead to monitor performance: an industry organisation, an independent body, a regulator?

Regular surveys and mystery shoppers, conducted by consumer organizations or other bodies, usually create a good incentive for delivery operators to maintain a high level of performance.

Industry-supported trust labels are a good way of increasing consumer confidence and are already being used in certain markets. However, the EEA does not believe a regulatory obligation should be introduced concerning trust labels, certification or performance indicators.

Increasing consumer experience and convenience – better services and more safeguards

Q8) Possible need and scope of a universal delivery service for parcels:

a) Is there a need for a new universal service obligation to address the ubiquity, affordability and quality of parcel delivery services?

b) If so, what could be the main characteristics of this 'new' universal service (in terms of service levels, convenience and affordability)?

c) From a delivery operator perspective, do you think a universal (parcel) service would be feasible in terms of cost/profitability? If so, at what level?

d) What would be the best tools to implement such a concept (e.g. guidelines; revision of the Postal Directive; new regulatory instrument with enhanced powers of the national regulatory authorities)?

EEA members strongly believe that the market should be left to fully play its role as regards consumer experience.

There is no need for a new Universal Service Obligation (USO).

The already existing USO provides for a strong and solid safety net concerning servicing standards that guarantee ubiquity, affordability and quality. Beyond that, the forces of the free market guarantee that customer demands are being met. Fierce competition between delivery operators and not least between EEA members themselves result in choice for the e-retailer who can easily choose with whom they want to work. This mechanism ensures the best service possible for the retailer and hence for the end-consumer.

Q9) Improving consumer experience

a) Taking into account the existing set of consumer rights, how could consumer concerns and complaints about delivery be addressed most effectively?

b) Do you have any concerns about liability regimes in the event of lost or damaged parcels? What could be done to improve the situation?

Consumer complaints, as well as the liability regime links to the delivery operator in mainly two dimensions:

- Commercial dimension

The responsibility for the consumer's experience lies mainly with the e-retailer. The agreement the delivery operator has made with the e-retailer is distinct from the offer the e-retailer makes towards his customer (the end consumer). If the e-retailer decides to offer free delivery, but no free return shipping, then the customers should not blame the delivery operator.

- Legal dimension

Delivery operators are not privy to the contract between the end-consumer and the e-retailer. The delivery operator can, therefore, be held liable by the e-retailer according to the provisions of the agreement between the e-retailer and the delivery operator. This being said, the international Conventions governing the liability of express carriers, allow for the consignee to submit a claim for

loss or damage to the goods to the transport service provider and invoke the liability provisions in those Conventions.

The liability regimes applicable to Express carriers (as opposed to the liability regime applicable to postal operators) are set out in national transport legislation and in the two international Conventions applicable to international transport: the Montreal Convention for air transport and the CMR for road transport.

The Montreal Convention applies to air transport between two states which have ratified it (which includes all EU Member States). The CMR applies to transport from or to a state which has ratified it (again, this includes all EU Member States). These conventions govern the carrier's liability for loss, damage and delay. The limits in the conventions are mandatory. The carrier can offer higher liability but lower liability limits are not permitted.

However, as international transport will also involve domestic transport, national transport legislation will often also apply (for the domestic transport leg). As national transport laws do not all provide for mandatory liability limits, the Express carriers all have terms and conditions of carriage which specify default liability limits to apply in the absence of any mandatory limits.

We do not understand the reference in footnote 59 to the importance of the Rotterdam Rules, which will only apply to transport involving a maritime element. Therefore, in practice, these Rules are less likely to be relevant to e-commerce delivery than Conventions such as Montreal or CMR.

In short, the delivery operator is a third party to the agreement made between the customer and the retailer. However, existing international Conventions, national legislation and Express carriers' terms and conditions, already provide for sufficient safeguards in terms of liability.

c) Could the e-commerce industry and delivery operators come up with more proactive solutions to better respond to consumers? What actions could be taken quickly to improve the situation in the short term? Which medium to long term solutions could be envisaged?

The absence of a direct legal relationship between the consumer and delivery operator does not discharge the delivery operator for providing a professional service, it does however restrict the delivery operator from responding to direct requests from the consumer when these are not covered by the agreement between the e-retailer and delivery operator. This restriction can impact the perception that the consumer has with regard to the delivery operator's performance and explain the perceived lack of flexibility on the side of the delivery operator.

This is generally recognized by express operators who seek to address this by developing additional solutions to help the e-retailer in meeting changes in consumer demand with regard to delivery. EEA members have introduced a number of delivery and return services that – if correctly integrated – address these concerns.

Delivery operators have responded to the fast growing e-commerce market with innovative solutions that were designed to provide convenience for the consumers and efficiency for the operators. It is in the interest of delivery operators to improve the effectiveness of first deliveries as this will result in a significant reduction of cost. These solutions seek to create flexibility for the consumer by providing convenience, ease of use and lower shipping costs. For the delivery operator, these solutions improve 1st delivery successes, reduce redelivery, reduce carbon footprint, and lower delivery costs.

Whereas the Green Paper raises concerns about the lack of response to changing consumer needs and a gap between rapidly changing e-commerce needs and slow responding delivery solutions, we would argue that the solutions exist and can be integrated in e-retailer solutions in a more consumer friendly way.

- Package Delivery to Parcel Lockers
 - Express operators have been installing parcel lockers as a new delivery option or as an alternate delivery option when the consumer is not home. Most offer other value-added features such as the ability to process outbound shipments, 24/7 or long hours of operation, staffed locations, etc.
- Package Delivery to Relay Shops/Parcel Shops
 - This can either be dedicated parcel shops provided by the delivery operator or a shop-in-shop concept where the delivery operator contracts with branches of the retail sector such as convenient stores, grocery stores, etc.
- Delivery Alerts
 - Pre-delivery notification of an impending delivery via text or email
- Return Services
 - Express operators provide the e-retailer with the option to include a return label in the original shipment to the consumer to make the returns process easier
 - The services also include tracking and tracing and delivery notification options.

These are some examples of the continuous innovation as result of the growth in e-commerce. Delivery operators invest heavily to develop these solutions to address customer needs which are constantly evolving, especially with the rapid advancement in technology. These innovations allow delivery operators to differentiate from other competitors and grow their business. New features will be developed to provide new value-added services. The market dictates this cycle in a competitive environment.

In order to improve the consumer experience and better respond to his needs, the e-retailers should anticipate the customers' needs and desires, and work towards building up long-term trust in the business model and delivery services.

In particular the e-retailer has the possibility and is free to provide clear and targeted information to customers about the delivery component of the product he is buying.

In particular SMEs could benefit from an exchange of best industry practices, notably concerning the set of information they could place on their websites as part of the check-out procedure.

It should be considered whether EU programs currently developed by DG CONNECT, such as the *Pan-European network for the intelligent provision of content and interactive services to SMEs*, could play a role in this regard.

More cost effective and competitive delivery solutions- controlling costs

Q10) Different options could be envisaged to control costs:

- a) Are there any outstanding examples of, or best practices for alternative delivery solutions allowing for a reduction of costs?*
- b) Are there any outstanding examples of best practices to increase efficiency?*
- c) What type of technology can or could reduce the cost of delivery?*
- d) What could be done, in your view, to remove or alleviate current regulatory constraints without putting the attainment of their underlying objectives at risk?*

EEA members believe that the forces of the free market guarantee that the costs and prices tend towards an optimum. Fierce competition between delivery operators, and not least between EEA members themselves, ensures this optimum. Prices above market-level are sanctioned by clients, i.e. e-retailers, given that they can easily choose with whom they want to work.

One important venue for improving market conditions, and thereby impacting costs, lies in the regulatory burdens imposed on delivery operators. See response to question 3.

Successful first delivery is crucial for operators. EEA members make great efforts to deliver efficiently, as every failed first delivery is a significant cost to operators.

In general terms, competition, customer satisfaction and shareholder returns have required express operators to constantly look for cost effective methods and solutions. This has driven investment in technology that allows us to optimize utilization of our networks by improving capacity utilization, mapping technology for delivery routes, data capture and transmission and other operational practices.

One specific aspect that merits more attention is the improvement of 1st delivery success: getting the package delivered at the first delivery. This issue does not exist in traditional letter mail postal service where mail can be dropped in the letter box at the first attempt. When delivering a parcel it is not always possible to deliver at the first delivery or to leave the parcel behind. Express operators have therefore developed a range of solutions that aim to improve the hit rate at first delivery.

Here are some examples of solutions currently being tested:

- Package Delivery to Parcel Lockers
 - Express operators have been installing parcel lockers as a new delivery option or as an alternate delivery option when consumer is not home. Most offer other value-added features such as the ability to process outbound shipments, 24/7 or long hours of operation, staffed locations, etc.
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- Delivery Alerts
 - Pre-delivery notification of an impending delivery via text or email

These solutions rely significantly on technology to make the shipping and delivery process more transparent to the shipper and consignee (consumer), using sms, email-alerts, web based track and trace and other media. Integration of these solutions in the commercial websites will contribute significantly to making the shipment process more transparent and more consumer-friendly.

There are widely accepted technological standards already in place that are easy to integrate in e-commerce platforms. Express operators support APIs for all integration with their customers. Standard messaging protocols and testing programs are utilized on a global scale and are supported by a globally-based team of experts. Most systems have open ODBC compliance/compatibility and can be used by any operator or e-retailer.

Competitive but sustainable prices – sustainability and transparency of tariffs

Q11) Sustainability of tariffs:

a) Do you think that the current level of tariffs charged to consumers for home delivery is sustainable in the medium and long term? If not, what should be done to mitigate this?

For obvious reasons linked to compliance with EU competition law, within the EEA no discussions on costs and prices are taking place. There is a general consensus, however, that national and cross-border delivery markets are competitive – and hence efficient.

Express operators have seen a significant increase of home delivery resulting from e-commerce transactions. Home delivery has a higher cost attached to it than bulk deliveries at business addresses. Changing from a Business-to-Business model to a Business-to-Customer model and operating both on one network is a significant challenge. The development of other – more cost efficient – delivery solutions will help mitigating that.

Express operators have therefore developed a range of solutions that aim to improve the hit rate at first delivery.

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These solutions rely significantly on technology to make the shipping and delivery process more transparent to the shipper and consignee (consumer), using sms, email-alerts, web based track and trace and other media. Integration of these solutions in the commercial websites will contribute significantly to making the shipment process more transparent and more consumer-friendly.

EEA members share the Commission's concern that consumers are getting used to "free shipping" offers, as a result of which they might underestimate the true operational and societal costs linked to delivery operations. This should be addressed by the e-retailers. Delivery does have a cost, and if the e-retailers choose to absorb this cost, then that is a marketing tool – but would not result in free shipping in itself. Ultimately, end-consumers pay for delivery services, one way or another.

b) Should the actual cost of delivery incurred by e-retailers be made more transparent to consumers? If so why?

It is up to the e-retailer to decide what information he wants to provide to the consumer.

There is no immediate value for the consumer to know the actual cost of delivery (cost occurred by the operator who is a supplier to the e-retailer) as the cost charged to the e-retailer by the operator is based on a general transportation contract that takes a range of characteristics for the overall delivery services into account.

It is not possible to calculate the exact cost of every individual delivery as these contracts do not provide a specific cost per individual delivery – at best they provide a general charge per destination zone, service level and shipment characteristic (weight/dimension).

The consumer would in our view benefit from being offered a choice of delivery options by the e-retailer (urgent, non-urgent) and different features (tracking and tracing, delivery confirmation, alternative choice of delivery point) whereby the e-retailer can introduce price differences for the overall purchase based on the delivery options chosen by the end-consumer. But that is the choice of the e-tailer, and not the transportation provider, based on marketing approaches.

Delivery and transportation charges can be used as a marketing tool by the e-retailer to be included in a promotional mix (free delivery for end of life time stocks or new released items) and the choice to make delivery charges transparent should be left to the e-retailer.

c) Should the true costs of delivery to the society at large be made more transparent? If so why? And how?

EEA members are conscious of their environmental responsibility towards society at large. This is why companies have come up with solutions aimed at offering carbon neutral delivery options. This comes in addition to numerous other environmentally friendly initiatives such as aircraft and road vehicles renewal projects.

E-retailers could decide to offer this option of carbon neutral delivery to their customers.

Competitive but sustainable prices - more competitive delivery markets

Q12) Level of competition in delivery markets:

a) In which markets, or market segments would more competition be essential?

b) Publishing price comparisons would provide more clarity to consumers and SMEs. How could this be done? What would be the pro and cons?

There is a general consensus among EEA members that national and cross-border delivery markets are competitive.

Parcel delivery has been open to competition already prior to the publication of the 1992 Green Paper on Postal Services. There is a significant degree of competition in the national and cross border express delivery markets.

We have also seen significant growth in the e-commerce related and residential deliveries by express delivery operators across all sectors. This increase supports the conclusion that express delivery services meet shipper and consumer needs from a pricing and service feature perspective and fit in the broader range of delivery services available in the market.

The suggestion to publish price comparisons is an interesting one. It should however be noted that the actual prices charged by delivery operators to e-retailers are the result of specific contract negotiations, based on volume, destination and shipment characteristics and cannot be seen as generic rates that should be offered by all delivery operators for all shipments. It should also be taken into account that these tailor made rates are very different from the rates published by delivery operators for one-time usage. End-consumers could end up being more confused by having to review the broad variety of delivery prices involved.

Price structure by operator can also differ by underlying characteristic and feature: weight bands, destination zoning, accessorial charges and other features. It would therefore be difficult to provide an apple with apple comparison of rates offered by competing delivery operators.

Some e-retailers already indicate the overall cost of purchase (including delivery cost) for the various delivery options they provide. This would be the easiest way for the end-consumer to decide what delivery option (and cost) to choose.

When end-consumers need to ship something back to the e-retailer and have not been provided with a return shipping document as a part of the original purchase and delivery the best option would be if they can contact the e-retailer to arrange for a return service pick up and not require the end-consumer to be concerned about choice of carrier or price.

When consumers want to ship something to another individual as the result of an internet based commercial transaction they have access to a broad range of delivery options going from basic postal service to more sophisticated express delivery options. If they consider becoming commercially active they should consult with various delivery operators on a more commercially suited solution that includes specific tariffs, integration of shipping solutions and a professional fulfillment component to their e-commerce activity.

Publishing contractually negotiated prices and costs risks reducing competition because operators might not make a maximum of efforts to compete for lower prices. Individual, confidential contracts are a driver of competition and efficient markets.

Furthermore, standard, non-negotiated prices are available publicly.

Q13) Oversight and regulation:

Ex ante regulatory measures (such as transparency obligations, obligations to provide access to delivery networks, and obligation for tariffs to be cost oriented, etc.) imposed on delivery operators with significant market power can lead to more competitive markets.

a) Which would be the relevant markets to consider in this respect?

b) What are the specificities of cross-border operations which could justify cost constraints? Please specify.

c) Should the regulator have more information on cost accounting data of operators to better assess the cost-price structure of packets and parcels?

d) Should regulators and/or competition authorities play a more active role in overseeing the national markets or market segments concerned?

EEA members do not consider this question to be applicable to the express sector as express delivery services are already operating in highly competitive national and cross border markets.

The concern about the price difference between national and cross border movements over a similar distance seems to be based on the assumption that goods travel in a direct, point-to-point mode and that the end price should be explained and justified in function of the distance travelled (the comparison with taking a taxi comes to mind). Domestic and cross border rates charged by express delivery operators are market based and driven by negotiations with shippers based on shipping profiles.

In a regular hub and spoke system, shipments are not following a point-to-point route but follow a planned flow through the network that will bring them to the delivery depot closest to the final destination.

Given the broad range of cost elements that are involved in the movement, a cost based pricing approach per individual shipment would make the tariff structure for the customer (shipper or consumer) very complicated. To keep the tariff structure transparent and easy to understand for the customer, delivery operators have chosen to publish standard rates that cover an average cost for individual shippers and have tailor made tariffs for regular customers based on their specific shipping requirements.

For the services provided by express operators we are of the opinion that general competition rules, consumer protection rules, accounting rules, general commercial law, and market pressure provide sufficient safeguards to ensure that commercial operators operate in the interest of their customers in areas like pricing and liability.

Competitive but sustainable prices - more competitive prices for cross border delivery services

Q14) How can more competitive and transparent cross-border tariffs be ensured?

a) Should it be left to market forces to provide the tariff levels and levels of transparency that are demanded by e-retailers and consumers?

b) Would more regulatory supervision contribute to achieving sustainable prices for consumers?

c) Do you think that applying some type of price cap for single piece cross border packets and parcels would be a feasible and effective option to address the needs of e-retailers and consumers? What would be the impact of such a price cap on market offer and competition?

As stated earlier, a market-driven approach is the best to ensure a competitive sector and best placed to help the e-retail sector.

Choice through fair competition is the best safeguard for the consumer to pay a fair price. A correct application of existing competition should be sufficient to ensure more competitive pricing.

We should not confuse a regulatory requirement for (postal) cost transparency with price transparency for the consumer. We cannot expect consumers to have full insight in the actual cost of the item purchased and related operational cost for delivery (when you purchase a pair of shoes you do not have to know the exact production cost, you want to know the price you pay and be able to shop around). Transparency of the actual purchase price (including the cost of shipping linked to the shipping mode selected) should be sufficient for the consumer to make an educated decision.

Given that current express delivery services are already operating in highly competitive national and cross border markets we do not see value in extending regulatory measures beyond the scope of USO (as per the boundaries set by the current EU Postal directives).

The concern about the price difference between national and cross border movements over a similar distance seems to be based on the assumption that goods travel in a direct, point-to-point mode and that the end price should be explained and justified in function of the distance travelled (the comparison with taking a taxi comes to mind). Domestic and cross border rates charged by express delivery operators are market based and driven by negotiations with shippers based on shipping profiles.

The forces of the free market guarantee that the costs and prices tend towards an optimum. Fierce competition between delivery operators, and not least between EEA members themselves, ensures that prices are competitive. Prices above market-level are sanctioned by clients, i.e. e-retailers, given that they can easily choose with whom they want to work.

Market forces therefore do provide the tariff levels and levels of transparency that are demanded by the customers of delivery operators: e-retailers.

Questions: improving interoperability - investing in technology

Q15) Levels of investment required:

a) To what extent is it possible to evaluate, both at micro and macro level, the approximate cost of a generalised track and trace system for parcels? Which would be the most relevant parameters to take into account?

b) What specific pilot projects for delivery of e-commerce products could be promoted, possibly within broader programmes aimed at fostering investment in information and communication technologies?

The evaluation of the approximate cost of a generalised track and trace system is something that the technology companies that offer these solutions can prepare, provided that they are given clear specifications of requirements and parameters.

One could envisage various degrees of sophistication in the use of shipment status information for consumers. The degree of sophistication should be directly linked to the nature (and price level) of the delivery services selected by the consumer.

For basic service it may be sufficient to have a confirmation when a shipment has been processed by the e-retailer and a delivery confirmation provided by the delivery operator.

The issue here is not the availability of data but the integration of this data in consumer friendlier systems. With current technology used by our members it is relatively easy to integrate shipment information in the e-retailer's website and customer service systems to make the information easier accessible for the consumer.

Better use of existing technology and solutions, specifically by e-retailers, can result in significant improvements in transparency at relatively low levels of additional investment for the e-retailer. However, e-retailers should have latitude to choose how to use this existing technology and solutions to adapt and better respond to their customers' demand.

We highly recommend that the European Commission explores how existing technology and solutions for shipment information can be better included in SME programs that are developed in the context of the Digital Agenda. [<http://www.emarketservices.com/start/index.html> , http://www.emarketservices.com/start/News/International/news/B2C-E-Commerce-shows-Growth-in-all-Parts-of-Europe_4811.html?xz=0&cc=1&sd=1&ci=4811]

A general evaluation of the costs of a generalised track and trace system for shipments cannot be done in the absence of specific parameters concerning market conditions, geographic reach or knowledge of existing capabilities of a given operator. In addition, for competition compliance reasons, this is not a subject the EEA would discuss.

Questions: improving interoperability - enhanced partnerships

Q16) Partnerships and cooperation:

a) Is better co-operation between e-retailers and delivery operators likely to increase the interoperability of operations? If yes, what specifically could retailers and operators do to build new or improve existing partnerships?

b) Should contingency capacities be jointly developed to deal with peak periods? If yes, how could this be done?

c) Would you need the services of facilitators and third party logistics providers? How can those –new or existing- services develop, become better known and more visible?

For express delivery operators, partnerships are already covered by common commercial practices.

EEA members also actively invest in marketing their services to smaller retailers.

The development and integration of a fulfillment component and transportation solution is an essential part of the commercial process. Regardless if customers purchase goods over the internet or via more traditional methods, there needs to be a system in place that makes sure that goods are delivered.

Start-ups (traditional or e-commerce) often overlook the importance of this part of the supply chain. They are focused on the “front end” of the process and have not given sufficient thought to the “back end”: storage, warehousing, inventory management and delivery.

The absence of focus on the back end creates a significant issue: whereas the purchase creates a significant expectation on the side of the consumer, the delivery is the fulfillment of this expectation and requires a professional process. The Green Paper often refers to the absence of a satisfactory delivery solution. We agree but would like to clarify that this is not the result of the availability of delivery solutions but the result of the lack of integration of existing delivery solutions in new commercial activities.

E-commerce has the potential to spur “entrepreneurship”. The low entry level does however raise concerns about the degree of professionalism of e-entrepreneurs who want to engage in commercial activities. This concern does not only apply to delivery but also to more general business tasks: taxation, finance and accounting, product quality, integrity and safety, legal aspects.

We see an important role for local chambers of commerce and other business networks to provide a platform for e-entrepreneurs and the providers of the professional services that they need to integrate in their e-commerce solution. These platforms can be used to educate new starters on the different aspects of running a successful e-commerce project. It would also allow them to understand the importance and benefit of engaging with professional delivery operators, logistics experts to look at cost-efficient transportation, warehousing, inventory and related management systems.

The e-commerce delivery market is dynamic - new solutions, products and partnerships are being developed. For example, one of the EEA members is working together with a customs clearance and

e-commerce service provider and a credit card company. For e-retailers this is of enormous benefit as they try to expand their global reach, but may find logistics problems hamper their expansion.

The e-commerce service provider gives shoppers outside the US and the UK the option to register on the site of the e-commerce service provider and receive their own US and UK addresses. These are inputted during the checkout process at the shoppers' domestic "ship to" address. Shoppers pay with their credit card with prices displayed in US dollars and the local currency of the final delivery address. The e-commerce service provider has an online calculator that can be used to add up the cost of getting the item from the merchant to the final international shipping address, including the cost of the product, the shipping and any customs fees and the fee of the e-commerce service provider.

Once a customer has finished shopping, goods are consolidated at a warehouse operated by the EEA member on behalf of the e-commerce service provider. Once the payment has been made, the EEA member forwards the package to the address of choice in the 61 countries served in the partnership. For retailers, the transaction essentially remains a domestic one.

Questions: improving interoperability - interconnection

Q17) Better interconnection:

- a) Could logistics platforms for groups of operators better meet the needs of e-retailers? If yes, how?*
- b) Could an industry task force contribute to promoting innovation and increasing the use of new technologies to facilitate greater level of interconnection? If so, how?*
- c) Should the processes used to return goods (both domestically and cross border) be improved? If so, how?*
- d) Are interoperability requirements and the promotion of new technologies difficult for SMEs operating in the delivery chain? What actions could help mitigate such difficulties?*
- e) What are (if any) the main three actions which could improve interoperability across EU borders for moving goods ordered on line? What could be done to improve the situation in the short term, what initiatives could be taken in the medium to long term? Also what needs to be done to improve interoperability at the international level?*

Companies in the express sector actively market their services to smaller retailers/ SMEs.

EEA members believe that the logistics sector would benefit from a removal of the regulatory burdens that lie on the sector, as identified in the response to question 2.

We would like to make a distinction between interconnection (integration of services between the e-retailer and delivery operator or other suppliers of transportation and logistics services) and interoperability (integration of operational, technology and data related aspects between 2 or more different delivery operators).

Interconnection can be improved. The development and integration of a fulfillment component and transportation solution is an essential part of the commercial process. Regardless if customers purchase goods over the internet or via more traditional methods, there needs to be a system in place that makes sure that goods are delivered.

Start-ups (traditional or e-commerce) often overlook the importance of this part of the supply chain. They are focused on the “front end” of the process and have not given sufficient thought to the “back end”: storage, warehousing, inventory management and delivery.

We see an important role for local chambers of commerce and other business networks to help improve interconnection by providing a platform for e-entrepreneurs and the providers of the professional services that e-retailers require in their e-commerce solution. These platforms can be used to educate new starters on the different aspects of running a successful e-commerce project. It would also allow them to understand the importance and benefit of engaging with professional delivery operators, logistics experts to look at cost-efficient transportation, warehousing, inventory and related management systems.

The development and integration of a fulfillment component and transportation solution is an essential part of the commercial process. Regardless if customers purchase goods over the internet or via more traditional methods, there needs to be a system in place that makes sure that goods are delivered.

Express Delivery networks are fully inter-operable across the EU and at a Global level. Operational and technology networks are fully integrated. This development is the result of basic commercial processes and competitive pressure. Significant investments have resulted in technology solutions to support a fully functioning global network.

The commercial potential of e-commerce in the EU will require operators to continue making the investments needed to meet customer needs. This development is going faster than the Green Paper describes when it refers to a gap between e-commerce development and development of delivery solutions. The gap is not with the development of delivery solutions (and related technology

solutions) but the gap between consumer expectations and e-commerce delivery is the result of insufficient integration of delivery solutions in e-commerce platforms.

The concern about return services is driven by the same gap: return service solutions have been around for many years. It is relatively simple for an e-retailer to include a pre-paid return service label in the package shipped to the consumer, with instruction how to return the shipment. Existing solutions can be integrated in the overall e-commerce process.

We recommend that the Commission explores:

- the possibility to inform and educate e-commerce entrepreneurs on the importance of “back end” processes;
- better use of existing technology and solutions to enhance interconnection between e-retailer and delivery operator;

Questions: governance

Q18) Are there areas which could be effectively tackled by the industry to address the issues identified in this Green Paper? How could this be promoted? How to involve both e-commerce and delivery industry associations?

Consumer confidence of the cross border retailers: consumers are worried about the legitimacy of the retailer, especially handing over their private financial information and the security of this information, as they are fearful of misuse of their information. This may be alleviated by using Trustmarks that reflect the use of e.g. alternative payment services such as e-payment service providers (i.e. PayPal) to provide a certain level of trust and assurance. Delivery operators can also include these solutions in the web-shop solutions that they offer to e-retailers.

Q19) How should current governance aspects of standardisation and interoperability be addressed? Is there a need to increase involvement of representatives of e-commerce, notably SMEs, and consumers?

EEA members believe the market should govern developments regarding standardisation and interoperability. External, public intervention runs against the principle of free functioning of the market.

Express delivery networks and services are fully inter-operable across the EU and at a Global level. Operational and technology networks are fully integrated. This development is the result of basic commercial processes and competitive pressure. Express delivery operators have made significant investments to develop and enhance its technology solutions to support a fully functioning global network.

The commercial potential of e-commerce in the EU will require operators to continue making the investments needed to meet customer demands. Operators are actively working with representatives of e-commerce organizations and SME organizations to develop solutions. This development is going faster than the Green Paper describes when it refers to a gap between e-commerce development and development of delivery solutions by the e-retailer.

We see an important role for local chambers of commerce and other business networks to provide a platform for e-entrepreneurs and the providers of the professional services that they need to integrate in their e-commerce solution. These platforms can be used to educate new starters on the different aspects of running a successful e-commerce project. It would also allow them to understand the importance and benefit of engaging with professional delivery operators and logistics experts to look at cost-efficient transportation, warehousing, inventory and related management systems.

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