

To:

*Ms Katri Kulmuni, Chair of the Competitiveness Council
Minister for Economics
Ministry of Economics
PO Box 32
FI-00023 GOVERNMENT*

Cc:

*Ms Margrete Vestager, Commissioner for Competition
Ms Elżbieta Bieńkowska, Commissioner for Internal Market,
Industry, Entrepreneurship and SMEs
Ms Cecilia Malmström, Commissioner for Trade
Mr Timo Pesonen, Director General DG GROW
Ambassadors COREPER I*

Joint industry letter: Creating a level playing field for European retail and e-commerce through Universal Postal Union reform

Dear Minister Kulmini,

The Universal Postal Union (UPU) was established in 1874 to coordinate postal policies among the members (developed and developing countries). Due to changes in commercial exchange related to the development of e-commerce this model recently does not fulfil its role. The UPU system and its distortive impact on competition is not new. These views have been expressed by a number of developed countries in and outside Europe who have been disadvantaged by the present system, and have seen a flood of parcels from, particularly China, each of which is delivered by the destination postal operator at a loss. The effects of providing these services below the cost has been described by Copenhagen Economics in the report “International delivery prices: effects on national post and e-commerce. Impact of UPU terminal dues on Finland & Sweden”¹. Since 2018 momentum has grown significantly within the UPU for fundamental change to the terminal dues system.

In October 2018, the US administration notified the Universal Postal Union of its intention to resign from the organisation. The reasons for this step was the US perception that the UPU’s outdated system of payment (terminal dues) for the processing and delivery of international parcels represented a de facto subsidy of delivery of goods sold by among others, Chinese online traders. The US has made its resignation conditional, should terminal dues change towards a fairer approach they will stay on board.

[The co-signers] see these developments as offering a unique opportunity for making progress on such reform and tackling a major competitive distortion which damages both the European online and offline retail sector as well as postal operators who deliver these parcels. Online retailers in Europe face a perverse disincentive that makes it cheaper to send a product half way around the world than from their warehouse or shop to an address only a few kilometres away. The present decision-making

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<https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/4/484/1552461314/copenhagen-economics-international-delivery-prices.-effects-on-national-post-and-e-commerce.-impact-of-upu-terminal-dues-in-finlandsweden.pdf>

mechanisms in the UPU, which reflect a past when countries were represented by ministries or state-owned postal monopolies, have not caught up with a global landscape of diverse postal operators with a direct commercial interest in the decisions taken, among other by them. This puts into question the legitimacy of those decisions, and arguably even their compatibility with EU competition law. Moreover, because of the high cost of the delivery the post back to China, consumer's right to terminate the contract seems to be elusive, which undermined the rights that EU law guarantees to EU consumers. We are therefore asking both the Commission and Member State governments to cooperate with like-minded players in the UPU to press for thorough-going reform of the UPU reimbursement system to help level the playing field for European retailers and wholesalers.

In September of this year, an Extraordinary Congress in Geneva will be held to discuss and vote on three possible options for reform of the terminal dues system. This provides a unique opportunity to reform the UPU system which rarely comes about. In summary, the reform options cover:

OPTION A: Reconsideration of the minimal increases of terminal dues for developing countries such as China, agreed at the UPU extraordinary congress in Istanbul in 2016. These changes will not be enough to satisfy developed countries' concerns. For example, the Canadian post office has calculated that the changes agreed in 2016 would lead to a marginal increase in terminal dues - for a typical 150 g postal item from China to Canada – from its present 1.12 euros to 1.23 euros. A Canadian customer sending the same item within Canada would pay 8.49 euros. This option, if agreed, would prompt the US to leave the UPU.

OPTION B: Allowing postal operators to fix their own terminal dues from 2020 on the basis of full cost recovery for international postal items. The fee must not, however, exceed the equivalent domestic tariff for processing and delivery of the same postal item.

OPTION C: This can best be described as a blend of the first two options. The slightly increased fees agreed in 2016 under Option A would come into force in 2020, moving from 2021 to a system allowing 70% cost recovery for processing international postal items.

At the Extraordinary Congress in September, the UPU members will, as mentioned above, be able to vote on which of these options for reform should go forward. [The signatories] thus believe that it is extremely important that like-minded governments coordinate among themselves for a strong push forward towards a reform that ensures sufficient cost-coverage and promotes fair competition for the for e-commerce parcel deliveries originating from developing countries.

Yours sincerely,

Please see signatories on the following pages.

Rainer Will
CEO, Austrian Retail Association



Janet Naidenova, Chairperson of the Board
Chairperson of the Board, Bulgarian E-commerce Association



Henrik Hyltoft
Director wholesale and retail, Danish Chamber of Commerce



Mari Kiviniemi
Managing Director, Finnish Commerce Federation



Christoph Wenk-Fisher
Secretary General,
bevh – German e-commerce association



Nagy Sándor
Chairman, Ecommerce Hungary



Andrés Magnússon
Director General, Icelandic Federation of Trade & Services/SVP



Harald J Andersen
Director of Commerce, Enterprise Federation of Norway



Patrycja Sass – Staniszevska, Prezes Zarządu
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**IZBA
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Maciej Witucki, Prezydent
Polish Confederation Lewiatan



LEWIATAN

Florinel Chiş, Executive Director.
Executive Director, ARMO (The Romanian
Association of Online Shops)



ARMO
ASOCIAȚIA ROMÂNĂ
A MAGAZINELOR ONLINE

Karin Johansson
Managing Director, Swedish Trade Federation

**SVENSK
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Patrick Kessler
Director General, Swiss E-commerce Association

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Verband des Schweizerischen Versandhandels
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