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Express Delivery Services

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FOREWORD

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Express delivery is one of the most dynamic sectors of freight transport (both goods and mail), from the standpoint both of technological and organisational innovations and of competition between operators - old and new, European and extra-European - in their efforts to make the available services better suited to an ever-changing demand.

Express delivery services can thus be seen as a "laboratory" of change in the freight business, perfecting advanced methods which, gradually, will spread into more commonplace sectors of the market. They also raise, with special emphasis, questions of transport policy which may shed light on the problems and issues of the transport system as a whole.

The COST 314 Action set itself the objective of studying the development of express delivery services and the associated political questions on the basis of an international cooperative research effort. Those involved in this study represent the states which were signatories to the declaration of intent launching the project: Greece, Spain, France, Finland, Ireland, Italy, the Netherlands, Slovenia, Sweden and Switzerland.

On the basis of a jointly defined set of questions, the participants in the project first studied the express delivery market in their respective countries, identifying the volume of activity, the types of operator and the dynamics of development. An initial summarising report made it possible to emphasise the strength of the comparable trends found in the various countries under consideration, confirming the special nature of express delivery in the transport sector and the relevance of a study project devoted to it. The particular features of each country were also highlighted, reflecting for example the fact that the leader in the internal market in each country is a national operator, an offshoot of a more or less traditional carrier, whereas the big international express specialists often dominate the market in international trade.

In a second phase, the political questions raised by express delivery were dealt with by the same method. The members of the Committee - recognised experts in their own countries - were well placed to nominate contacts representing government and business circles to discuss the political problems associated with express delivery. The results were then compared and summarised on the basis of a transverse thematic reading, the national contributions being broken down in a grid of questions which enabled them to be compared, thus producing a European view, further enhanced by a specific study of the attitude of the European institutions and the international professional bodies.

The present report provides a final account of these two phases of the project. The first part summarises the economic approach to express delivery services in Europe, underlining the general trends and special features of the countries studied. The second part expounds the political approach. The third one focuses itself on the attitude of the European Commission and the international association.

PART ONE

Situation and Economic Trends

1. Express Goods Transport

1.1. The development of express delivery services

Initially, express services were used solely for the most important and valuable shipments, primarily by banks. Additionally, express services permitted the transfer of information between high-tech countries and those in which computer and telecommunication technology were not (yet) commonplace. What were initially special services gradually turned into service-providers that were used daily. Sporadic customers increasingly turned into regular customers. The courier, express and parcel services diversified into all product areas and weight categories. These express services serve less to satisfy an individual demand for transport (house delivery) than the demand from shippers who, with their distribution and manufacturing process have limited their warehousing to a minimum. Any interruption to the chain of transport that disturbs distribution or production causes these shippers far higher costs than the actual transport.

Of all the sectors in the freight industry, the express services are undoubtedly the most modern in terms of technology and organisation and offer a picture of the changes which will affect the entire industry sector in the foreseeable future:

- The introduction of uniform technologies and processes for the monitoring of parcel shipments, which will allow optimum despatch and inform the customer about the slightest uncertainties,
- The automation of freight processing activities (sorting, shipping, etc.) and thus the standardisation of shipments in some countries,
- The frequently changing and continually flexible use of all means of transport and the systematic use of hierarchically structured networks of transhipment installations,
- The determination of tariff structures in which the quality and reliability of the services offered are more important than the cost of the actual service,

At present, there are large groups of players competing with each other, complementing each other or even, if not necessarily on a permanent basis, co-operating together:

- Postal organisations which tend to focus more on private rather than business postal traffic,
- Express services with activities throughout the country (public or private transport companies), which are largely restricted to their domestic borders,
- Express services from outside Europe, which see Europe as a joint market from the start and not as the sum total of individual, national markets.

The following integrated service features demonstrate the suitability of express service operators as transporters of sensitive goods:

- Full range of services (collection and delivery - "everything handled by one agent")
- Time guarantees on all geographical destinations ("Just-in-time" everywhere)
- Collection and delivery dates in line with demand (flexible time management)
- The use of modern processes for centralised control

1.2. Segmentation of Express Goods Transport

Express goods transport is comprised of different segments:

a) Transportation speeds vary with prices, which normally increase in proportion to speed:
- "**l'express du jour**"; shipments are delivered on the same day
- "**l'express de nuit**"; shipments handed in before 18.00 are delivered on the morning of the following day
- "**la messagerie rapide**"; shipments handed in on the morning of day A are delivered on the afternoon of day B
- "**la messagerie classique**"; shipments are delivered on the morning of the second day
- "**la messagerie intraeuropéenne**"; delivery dates are linked to the distance.

b) The weight of the shipments to be transported also defines different categories:

- Courier services: Transport of documents and small packets up to approximately 2 kg
- Parcel services: up to 8 or 30 kg
- Express goods: from 5 to approximately 100 kg
- normal express services are generally used for the heavier shipments.

There is no clear demarcation line between these segments, however, as the dynamics of this market do not permit this. Weight limitations in the individual segments are increasingly being raised or even abolished and operators are making a name for themselves in all segments of the express market.

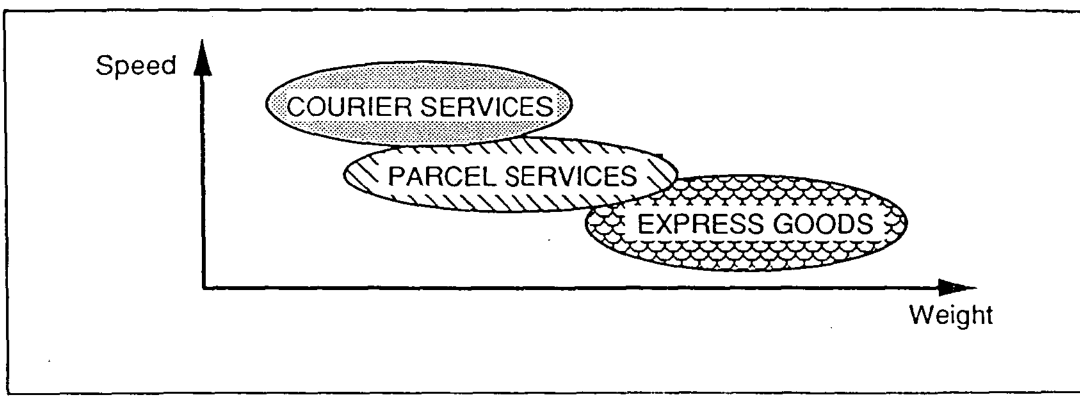


Fig. 1: The non-defined borders in express goods transport

c) Classification according to distance makes it possible to define the transporters:

- regional
- national
- European.
- international

1.3. The Express-delivery service market

The express goods transport sector is an active part of the transport industry. It still has a growth rate of 5 to 10 % per year (compared with 20 % per year in the 1980's). The variable growth trends can be attributed to a very dense logistics network in Europe, the development and the availability of other communication services and not least to consistent and targeted direct marketing.

Viewed globally, the North-American continent alone represents over half of the global market assessed at US$ 25.3 m for 1992, while Europe accounts for almost 30 %. Europe, however, is represented by very good growth due to the opening of its borders.

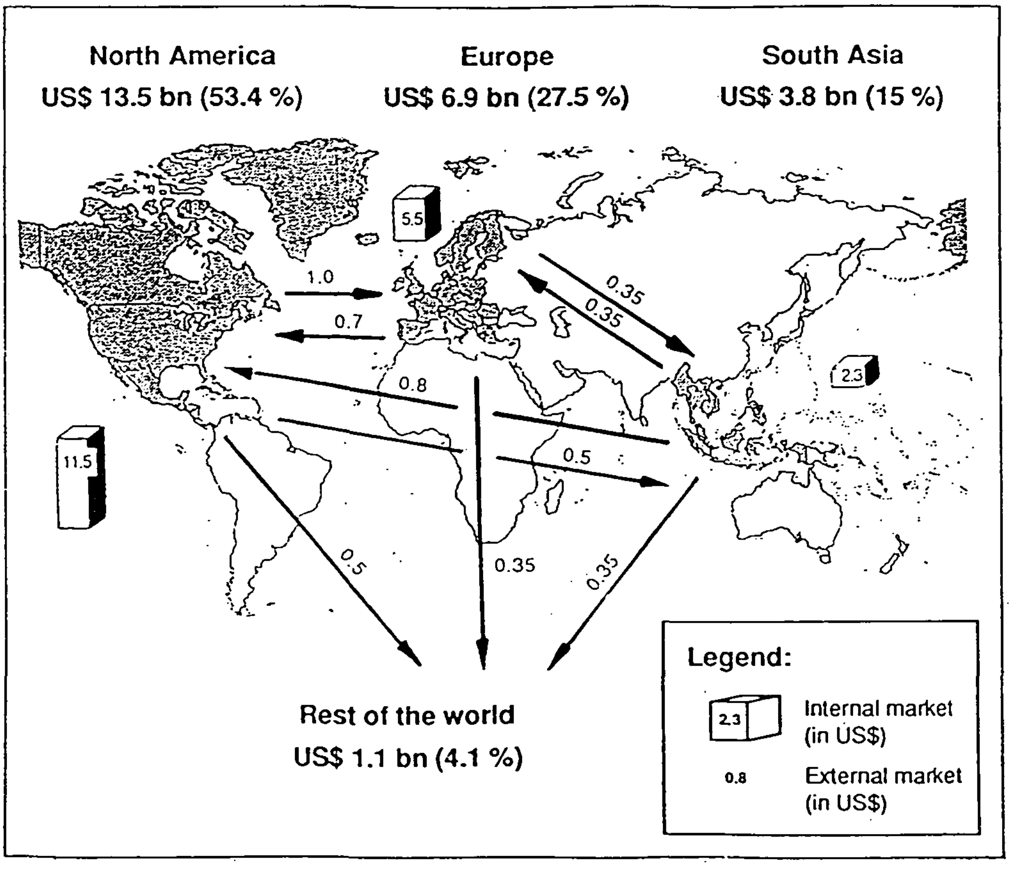


Fig. 2: The global market for express goods in 1993

At present, the national and even the regional market is much more important than the international market. The majority of shipments are parcels.

According to an estimate by the IECC (International Express Carriers Conference) in 1989, the market for the private express services in the EC was as follows :

Country	Pan-European	International (millions)	Total (millions)
Belgium	0.4	0.8	1.2
Germany	0.7	1.8	2.5
Denmark	0.1	0.2	0.3
France	0.5	1.5	2.0
Great Britain	1.5	3.8	5.3
Greece	0.2	0.2	0.4
Ireland	0.1	0.2	0.3
Italy	0.5	1.4	1.9
Luxembourg	0.1	0.1	0.2
Netherlands	0.5	1.1.	1.6
Portugal	0.1	0.1	0.2
Spain	0.3	0.5	0.8
EC Total	5.0	11.7	16.7

Table 1: Estimate in 1989 of the number of shipments (by private Courier, Express and Parcel Services in the EC).

According to this estimate by the IECC, Great Britain has the highest share in pan-European and international transport, followed by Germany, France and Italy. The turnover of business done by these 12 nations amounted to approximately US$ 550 m.

1.4 International Operators

DHL, Federal Express, TNT and UPS are the four European market leaders in this express goods business. TNT has formed GD Express Worldwide with the postal authorities in Sweden, Germany, Canada, the Netherlands and France. These five leading companies are listed below in a brief overview:

1993	DHL	Fedex	TNT	UPS	GDEW
Shipments worldwide (in millions)	80	650	63	2'940	15
Turnover worldwide (in mill. of US$	2'800	7'800	5'500	17'800	1'200
Countries served	200	180	190	200	192
No. of employees worldwide	28'000	94'000	31'000	303'000	11'000
No. of aircraft	140	480	350	521	18
No. of vehicles	10'000	28'000	20'000	120'000	3'600

Table 2: Overview of the five European market leaders in express goods transport in 1993 (PTT CH)

In 1992, Fedex withdrew from the inner European market with a restructuring plan of around US$ 250 m and entrusted the business to TNT.

Initially, freight companies were unruffled by the start of express services by the integrators. Shipments which normally were handled by the post were hardly in a position to promote their economic interest. The transport of documents and small shipments was thus left to the postal authorities or the rising newcomers. Freight companies thus concentrated their main attention on the organisation of transport.

1.5 Customer Motivation

Research in the Netherlands on customer motivation when choosing an express service company shows that speed of transport is by far the most important reason why customers entrust their goods to an express service company for shipment. This statement is also reflected in the information obtained in a survey in Switzerland.

Motivation	%
Speed of delivery	79.8
Price	51.6
Efficiency of transport	49.2
Guaranteed delivery	38.5
Door-to-door delivery	29.5
Carefulness	24.6
Customs formalities	22.9
International cover	12.3

Table 3: Customer motivation when choosing an express service company (Eurotrans Study 1991)

The customer also appreciates express services because everything is standardised: the price can be quickly calculated, they are sure that shipments are shipped daily with a high degree of certainty and can thus inform customers precisely when they will be receiving their shipment.

1.6 Market volume of courier, express and parcel services in 1993

At the 6th World Express & Mail Conference in 1994, a new study of the European express markets in 18 countries was presented by Prognos AG and UDF. In this 1993 study on the Courier, Express an Parcel Service market, the size of these markets was also investigated. The markets of Finland, Greece, Ireland and Slovenia were not included in the study. The results in Table 4 include both the shipments of the business and the private sector, but not the traditional business of the forwarders.

With a total number of 1,320 millions shipments in 1993, Germany had the highest volume in Europe, followed by Great Britain, Italy, France and Spain. Switzerland, Portugal, the Netherlands and Sweden had a volume of between 280 and 130 million shipments. The remaining countries listed in Table 4 had an express service market that was only very small nominally (less than 100 million shipments per year).

Country	Total shipments 1993 (millions)	Population 1993 (millions)	Gross National Product 1992 (US$)
Germany	1'320	82	1'850'000
Great Britain	990	58	1'025'000
Italy	890	57	1'187'000
France	600	58	1'279'000
Spain	570	39	548'000
Switzerland	280	7	249'000
Portugal	240	10	73'300
The Netherlands	150	15	312'000
Sweden	130	9	233'200
Poland	90	39	75'300
Belgium	80	10	209'600
Austria	65	8	174'800
Denmark	50	5	133'900
Hungary	45	10	30'700
Norway	40	4	110'500
Czekia	38	10	25'300
Slovakia	35	5	10'250
Luxembourg	5	0.4	18'700
Total	5'580	426.4	7'545'550

Table 4: Comparison of market volume, the population in 1993. (The 6th World Express & Mail Conference 1994: The Size and Shape of Future Markets)[1]

[1] Data from Slovenia were not available

1.7 Prospects for 2000 / 2010

Existing logistics demands on the transportation of shipments of every kind will support the rapid growth of express services in Europe until the year 2000 and beyond . Expansion will be reinforced by the growth of trade and transport in general. New services, harmonised to meet the new requirements of customers, will come into being. Growth in the industrial, trade and service sector will be accompanied by increasing demands on logistics in all areas of the domestic and international exchange of goods and services.

Due to the increasing internationalising of markets, the number of courier, express and parcel shipments will further increase. This growth in volumes on the part of regular customers will be positively reinforced by an increasing use of courier, express and parcel services in future. New customers will be gained while sporadic customers will increasingly become regular customers.

The results of the European study by Prognos and UDF show that, in 18 countries investigated, an overall increase in market volume of around 18% can be expected for the year 2000 in comparison with 1993. Between 2000 and 2010, a growth rate of about 11 % can still be expected. Fig. 3 shows the market volume by country for 1993 as well as the market potential for 2000 and 2010 of all 18 nations examined.

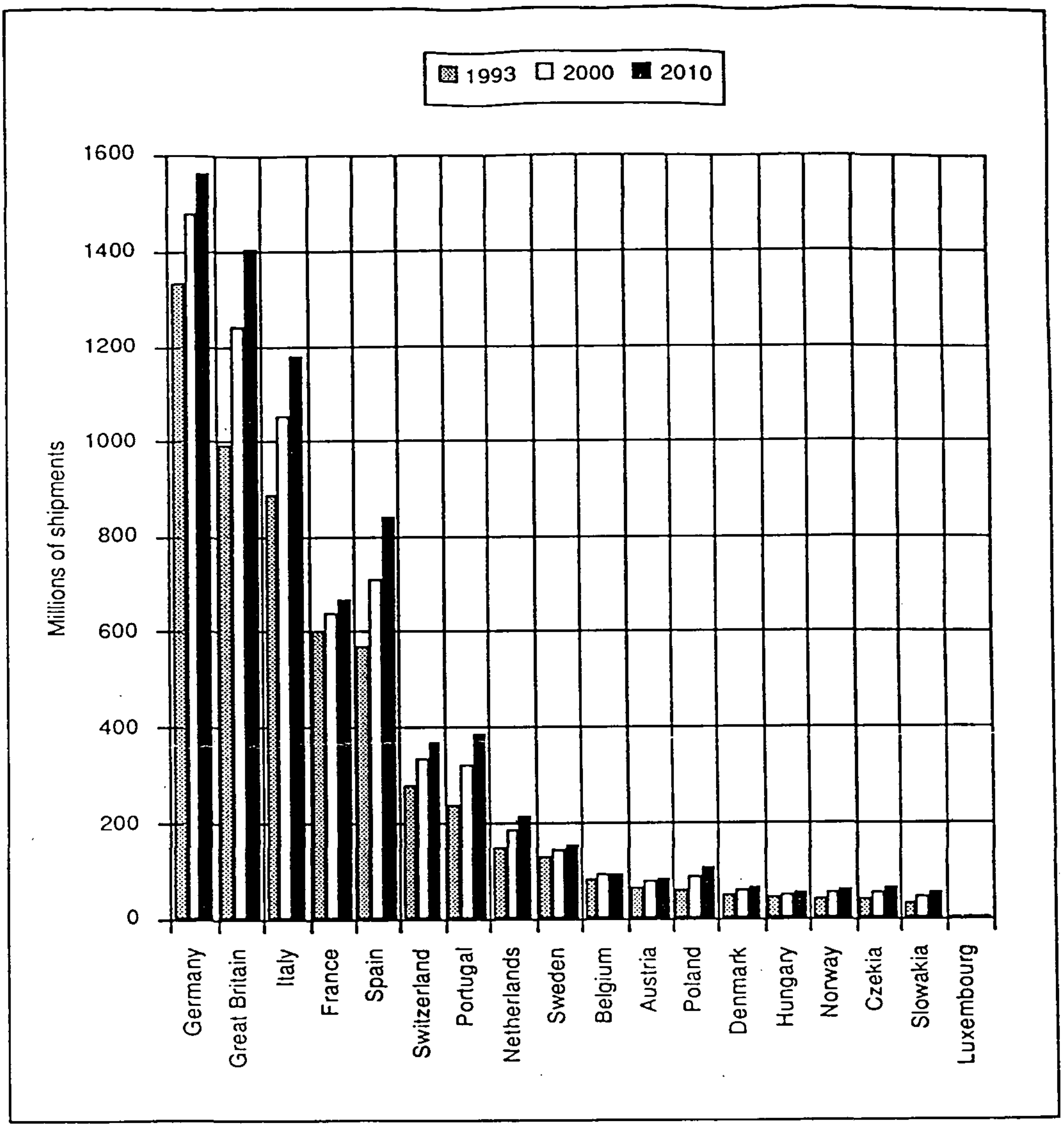


Fig. 3: The development of market volume among several European countries (Prognos/UDF)[2]

The market forecast for the different countries shows the following important results:

- the most important European markets now and in the future are Germany, Great Britain, Italy, France and Spain,
- countries with high market growth rates are Great Britain, Italy, Spain, Portugal, Poland, Czekia and Slovakia,
- countries with moderate market growth rates are Germany, France, Switzerland, Belgium, Netherlands, Sweden and Austria.

[2] Data from Slovenia were not available

2. Trend in demand

As the preceding chapter showed, the level of demand for express services, expressed as the number of consignments per employee, varies enormously from one country to another. This reflects not only different labour patterns, but also disparities in the quality of the postal services and other traditional delivery services. Customers sometimes choose express delivery services because of the unreliable nature of existing means of delivery; speed of delivery is not always the determining factor in demand. These quantitative disparities seem set to persist for some time to come, giving a map of Europe marked by stark contrasts.

The qualitative diversity in the demand for express delivery services is a constant problem for the firms operating in the market. On the one hand, this very diversity justifies the existence of a delivery service, i.e. of a system of grouping covering a large number of industrial and commercial sectors which are not directly linked, and of joint handling of flows from different customers. Grouping achieves very substantial cuts in transport costs compared with the costs of a dedicated service for each customer. On the other hand, grouping by its nature runs counter to differentiation of the service, in order to tailor it more closely to stricter demands. An effort must be made to strike a balance between standardisation and diversification of services.

The diversity of demand is particularly striking in relation to delivery distances: while express services have a very international image, the most important flows continue to be domestic and even regional. This first level of segmentation explains the extent of the networks, the density of commercial outlets, the pre-eminence of road transport (in contrast to the US, which has placed the emphasis on systematic use of air transport), and the strong position of national and even local operators vis–a–vis the powerful multinationals seeking to establish worldwide networks and markets. We can even draw up a table of the different segments of the express delivery industry, which shows how the different distances involved result in the use of different techniques, offered by different operators.

	Collection and distribution networks	Transport networks	Combined transport networks
National	pick–up and delivery services (e.g. city couriers)	national groupage services (regional platforms)	large and small lorries
Europe	cooperation between national postal services (EMS)	international groupage services (national platforms)	rail–road-air
Inter-continental	integrators	intercontinental integrator services	air–rail air–road

Table 5: Segmentation of express deliveries market as a function of delivery distance

The demand of household is relatively marginal but should not be neglected. It is primarily collected by national postal services or their specialised subsidiary companies, which have the "capillary" network.

- In Ireland, private households account for only 3% of the market. A separate division of An Post, SDS, has a virtual monopoly on this market segment which is attributable, in part, to ease of access to its services at almost 2,000 Post Office Counters throughout the country.

In terms of traffic volume, existing data show a slowing–down in the growth of demand. This undoubtedly reflects the overall economic situation, which restricts the volume of activities and forces companies to reduce overall costs, including the cost of delivery services. However, this rationalisation stimulates certain activities which make extensive use of express services, such as direct marketing campaigns.

- In Italy, the current economic situation favours transport, and especially express services. Traffic projections suggest that growth in Italy will be the most rapid in Europe, but the inadequacy of the postal service may also be a factor.

The underlying trends which feed the demand for express delivery services run very deep, and, if anything, are accentuated rather than weakened by current industry trends. These are: the organisation of industrial production and commercial distribution on a just–in–time basis, systematic limiting of fixed assets, centralisation of storage sites (requiring longer and faster terminal operations), a growing number of services involved in supplying materials, increased maintenance activities, as well as "para–productive" tasks such as research, development, promotion, etc.

- In the Netherlands, the development of express services has been stimulated by the introduction of new methods of stock management ("global sourcing"), reducing stocks and setting up integrated logistical systems. The emphasis is on planning and controlling flows, which calls for flexible and reliable transport systems.

- A Finnish study has made it possible to identify those sectors that use the express delivery: they cover a broad spectrum of activity, in particular in the field of services.

- In Spain, particularly in Catalonia, which is the biggest market for dispatch (with the Madrid region receiving the most consignments), the sectors which make most use of express services are producers of equipment, machinery, industrial fittings and spare parts, the graphics and information technology industries, the textiles and ready–to–wear sectors and the chemical industry, which may have specific requirements for the carriage of dangerous substances. Dynamic SMEs make use of these services for their marketing operations. As regards mail, some decrease in growth is noticeable (probably because of the expanding of fax and of electronic mail). Express transport is the most dynamic sector, SEUR being the leader followed by UPS, TNT and Ochoa. The Express transport and conventional groupings represent the most important market, but with less competition, in spite of the shortening of deadlines. (passage in " rapid" transport)

- In Sweden, consignors are using "just–in–time" production methods, contracting out a growing proportion of their activities, organising subcontracts on the basis of business partners, and centralising stocks, while the intrinsic value of the products being transported is rising.

- In Switzerland, 56% of demand comes from the industrial sector. The sectors which most use of express services are banks, the machine tool industry, high–tech industries, the insurance sector and the chemical industry. Reliability rather than speed is often the motive for choosing this service.

The internationalisation of the economy is obviously a powerful factor in the growth of express delivery, whether it be internal flows within the European single market or further field. Smaller than the national market, the international market has, in general, stronger growth.

- The internal traffic of express transport in Finland grew 30% between 1990 and 1993, and its traffic with the European Union and the Scandinavian countries tripled. Moreover, four integrators, from various initial positions, developed very different strategies, at European level as well as internally. In spite of the development of techniques for transmitting information such as fax and EDI (electronic data interchange, from computer to computer), which can take the place of courier services (transport of paper), the trend in express delivery services is still upward, even for letters and documents.

- In Greece, the shipbuilding industry makes extensive use of express delivery services for sending statutory and commercial documents to other countries, in particular the United States.

However, for some time there has been a shift in the behaviour of consignors, who are tending to discriminate in a more precise manner between different types of transport services. Express services are sometimes seen as an expensive option to be used purely as a last resort to overcome recurring last–minute hitches. New services, some faster and some slower than express delivery, are also being offered, so that express delivery is now just one among a whole range of services. Express delivery services have therefore emerged from the initial development phase characterised by rapid growth rates and high profit margins.

Competition is hotting up in terms of price and quality of service, between express delivery specialists and other service providers.

In the transition countries of Eastern and Central Europe, the express markets have been, in the past, and in comparison with mature express markets, to be found in other European countries, rather underdeveloped. The present spatial and technological restructuring of their trade patterns and economies is likely to create new demand for express services.

- In Slovenia since its move to independence in 1991, the demand for express services has been steadily increasing. These services have represented important and often essential logistical support for firms searching for new markets, or new market niches, in domestic and international markets. The main customers have been coming, among others, from industry (pharmaceuticals, machine spare part deliveries, high tech industries, etc.) banks, printing, and computer equipment trade.

3. Supply of express services

One can segment suppliers of express services into different groups :

3.1 Integrators

The international integrators initially opened up the European market for express services. They are called integrators because they offer a door-to-door service for "anything" to "anywhere". The main integrators in Europe are DHL, TNT, UPS and Federal Express. In some countries these integrators captured a substantial part of both the international and the national market. In other countries the national market remained in the hands of national operators.

- In Italy, the turnovers of the big operators seem to have a very high growth rate, sometimes with a two digit number for a few years. However, one must take into account the devaluation of the lira of 30-40% as regards to the DM between 1988 and 1994. UPS, after having bought a Company called Almundo, is well established in the national market and has attempted to develop its international traffic even with the road network. DHL confirms its specialisation in international mail, and is making Bergame a "sub-hub" for Southern Europe. TNT is rather aggressive in the national market through Traco, and has committed itself to a thorough reorganisation of TNT express Worldwide, XP Parcel System and its remailing product Mailfast.

3.2 Postal services

In many countries the postal services still have a monopoly on the delivery of letters. Most of the other activities have been or will be deregulated. The "Green Paper" of the European Community states clearly that express services should not be part of any postal monopoly. There are large differences between the quality and efficiency of the national postal companies. Low quality performance of postal services results in many opportunities for express service suppliers. The postal companies have introduced their own express service "EMS", which has had a difficult start in most countries.

The strength of EMS is limited because public postal companies do not function optimally in combination. European integration of the postal traffic up till now has been developed at a very low level, mainly because of the lack of standardisation of different dispatch systems used in each country. Also the bureaucratic nature of most public postal companies does not create space for flexible marketing strategies.

Privatisation of postal services will be an issue that will become important in at least a number of European countries.

3.3 Airline companies

Air transport in Europe is increasingly used exclusively for long distances, remote areas and emergencies. Airlines usually make use of forwarders and agents to market their services. Airlines have lost some parts of their market to the integrators. Most airline companies have given up on trying to market their own express service, due to lack of success. Some companies have taken an interest in integrators and other express service suppliers.

3.4 Railway companies.

So far there is only a small number of countries with a reasonably successful rail based express freight product. In almost all countries rail freight transport is losing its market share. However, rail transport receives much attention in plans for the future development of freight transportation. In Finland there is a unique situation where a national marketing company of bus lines is one of the most important competitors in the market for express services.

3.5 Road hauliers & freight forwarders.

This group forms the major bulk of the traditional transport industry. They have been forced to increase their level of services and adapt their marketing strategies. Large forwarders and road based transport companies are developing fast transport services on a national or even European scale with tariffs that are far below the prices of integrators.

3.6 City couriers

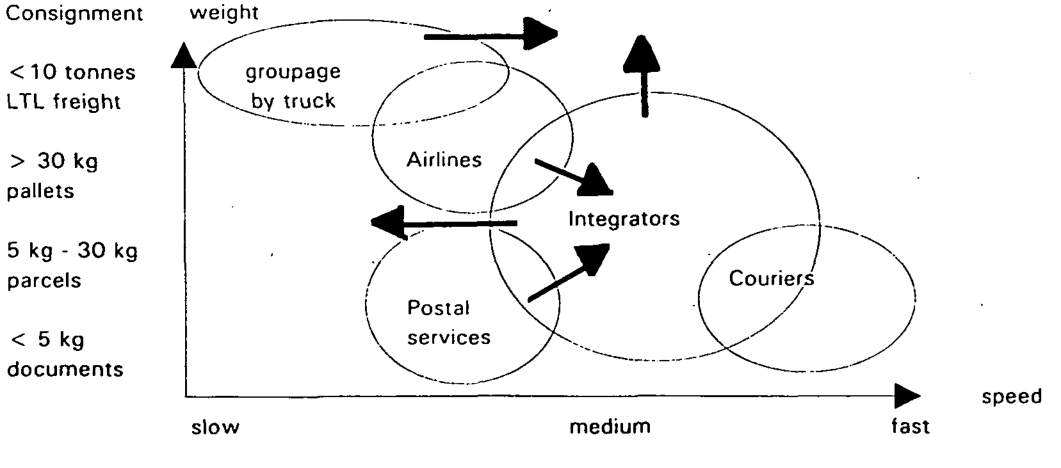
In the larger cities of Europe a large number of small city couriers operate their inner-city (or intra regional) services based on different means of transport (car, taxi, moped, bicycle). In The Netherlands there is a (small) company that delivers documents and small products by using all means of public transport.

3.7 Companies own transport services

There are also (large) shippers that operate their own (express) transport services. Although not much is known about their activities, they are a major source of competition for the regular suppliers of express services.

Generally one could state that the introduction of express services in Europe has had a strong influence on most segments of the freight transport industry. Different supplier groups are evolving into different directions that results in the removal of some of the boundaries between formerly separated segments of the market. In figure 4 the general movements of (some of) the suppliers groups are illustrated. Integrators try to enlarge their markets by looking for heavier and less urgent consignments. Airlines and postal services try to regain their lost territory by offering door-to-door services using joint ventures with other parties that compensate their weaknesses.

Figure 4: Evolution of the express market



The players in the market for express services can choose from a number of strategies to gain a position in the market that is sustainable. They have to make a choice on a number of decision variables :

- activities : transport only, additional logistic services
- geographical orientation : regional, national, European, intercontinental
- market orientation : general cargo or niche carrier ?
- scale of operations
- co-operation : alliances with competitors, partnerships with shippers.

3.8 Technological choices

Bolstering supply is based on ongoing technological change in a bid to improve the service and reduce costs.

- The trend in choosing the mode of transport is towards using each mode for specific purposes. For example, operators who used mainly air transport in the past, along the US model, are now tending to reserve it for particularly long distances and tight deadlines and to use less costly modes of transport wherever possible. They opt mainly for road transport which, taking all operations into account, is often as fast as air transport in a European context. The railways, after virtually disappearing from the market in express and traditional services, including specialised services and those operated by their subsidiaries, are being used in new ways in combination with other modes (combined transport), pending the arrival of a high-speed freight service which is liable to make its mark on the major routes of the economic heart of Western Europe.

  Intermodal techniques pose not only technical problems, but also problems of co-operation between players with differing traditions, powers, interests and means of organisation. Co-operation is difficult even between adjacent rail networks, for which access to a wider geographical area is, however, essential.

Transport systems differ very widely, ranging from the centralised "hub" model to the decentralised model of the mesh network, taking in various combinations of regional platforms and direct links. The issues at stake in choosing the number, role and location of the hubs go beyond the operation of the firms themselves, given the knock–on effects which may be expected on the transport sector and on other regional activities, not to mention the negative impact in terms of the adverse environmental effects.

- In the Netherlands, the authorities are concerned by the tendency of integrators to locate their hubs in Cologne or Brussels rather than in their country. Is this a weakness in the Dutch transport system, one of the strategic factors in national development? Should consideration perhaps be given to using a small airport or an under–utilised military airport, which would be subject to less stringent requirements as regards noise and night traffic than the large metropolitan platforms?

- In Spain, the road based delivery uses network planning of point-to-point transport: the systematic passage through a central point in Madrid would lengthen delays too much in a geographical large-sized country. On the other hand, each integrator has an airport where they concentrate their flows; for example TNT and UPS use Saragossa airport.

Large sums are being invested in mechanisation and automation of sorting. The resulting gains in productivity must be weighed against the loss of versatility in the chain, and the tendency to reinforce the segmentation of production and markets.

The importance of new technological developments must be stressed. There is a link between the information systems of (express) transport companies and their strategies. Information systems provide information that is essential for the companies in the choice of their strategy. On the other hand, the introduction and development of strategic information systems is often the result of a choice for a certain strategy.

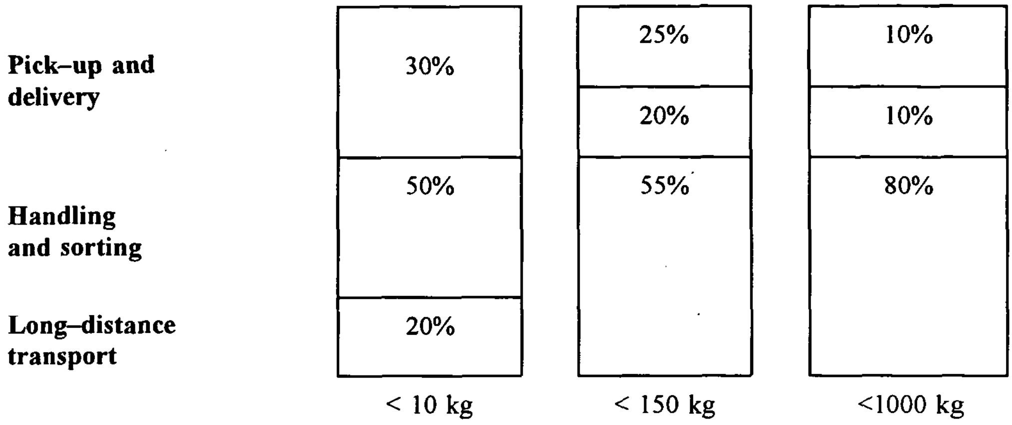
- Information systems (e.g., the Federal Express COSMOS system) are tools for managing production and transport in the strict sense (tracking and tracing), managing commercial contacts through electronic data interchange, and for administrative management through the provision of statistics and performance indicators. The technical and organisational choices connected with information systems have not been made in all cases, and will in any case have far–reaching consequences. Choices must be made as to whether systems should be open or closed, general or dedicated, accessible to SMEs or to major structures, and as to the strength of the ties created between the partners, etc. The standardisation issue makes this an area where the authorities and international bodies, in particular Community bodies, might legitimately intervene.

In view of the evolution of demand, and of the fall in prices on the "pure" transport market, a number of transport operators are developing complementary logistical services such as storage, packaging, preparation of orders, distribution, installation, maintenance and after–sales service, industrial finishing of products, etc. Express services may in some cases be a means of considerably reducing the level and volume of stocks needed to supply a continent–wide market.

3.9 The transport costs

The breakdown of the production costs of delivery services under three main headings (pick–up and delivery, handling and sorting and long–distance transport), illustrates the importance of terminal operations. This applies in particular to small consignments, to the extent that the delivery distance as such is no longer a relevant factor in setting prices. In the case of heavy consignments the cost per kilometre, based on the weight and volume of the freight, continues to be the determining factor.

Figure 5: Breakdown of costs of delivery services



Clearly, it is not the same firms which are dealing in such different segments of the market. Firms which specialise in express delivery place the emphasis on the costs of administration, pick–up and delivery and sorting, while traditional companies continue to concentrate on the transport as such for their main competitive advantage.

- In Finland, the postal service is developing its "Parcels and logistics" service and divides the market up clearly on the basis of three deadlines: "Same Day" (D-day), "Blue Line" (D–day + 1) and "Green Line" (normal postal packages, D-day + 2). Express services (D-day) are dominated by three national operators (the Post Office, the bus company Matkahuolto and Airpak, a subsidiary of Finnair), while traditional delivery services (D-day + 1) continue to be offered by small operators alongside the Post Office and Kiitolinja, an association of eight road haulage firms. International express services are operated by the integrators and the Post Office (EMS).

Express services, however, do not necessarily involve complex technologies, as it is organisation and location which determine the efficiency and quality of the service. At local level medium-sized firms, which have lower structural costs than the multinationals, can be very competitive.

- Sweden is far removed from the economic heartland of Europe and is a vast and thinly–populated area. Outlying regions are served through the intermediary of the coach companies, and firms seeking entry to the market confine themselves to urban areas. Cooperation between operators works well: examples included the partnership between Bildspedition and SAS on the "Jet pack", between the Post Office and the railways, and between ASG and the railways.

For geographical reasons and reasons relating to the structure of the sector and labour patterns, appreciable differences persist between countries, although quality standards are tending to become more uniform.

- In Greece, the transport system is developing rapidly, but it is still sufficiently cut off from other Community countries for all international deliveries to be made by air while, owing to the inadequacy of the rail system, all domestic deliveries are by road, with a normal delivery time of two days. However, there are express links between the major cities (D-day).

  The market can be clearly segmented as follows :
  - road transport operators have developed their express services, in parallel with traditional services.
  - the specialised companies cover only urban mail.
  - integrators and national postal services (via EMS) control international express deliveries, and are present on the national market only at the final stage of international traffic.

4. Competition with other transport services

The success of express delivery services has awakened the interest of transport operators previously specialising in other services, who either enter this expanding market themselves or offer a non–express service better geared to the needs of consignors.

In some countries which are more easily served by road due to their size, express services have already taken over completely from traditional delivery services. In other larger and less densely populated countries, traditional services have survived, but have shortened their delivery times considerably, from 8 days to 48 hours in a matter of a few years, while charging the same or lower rates. Somewhere between express and traditional delivery services, a "rapid" service is expanding or at least holding its own, offering services which are slower than express, but of comparable quality in terms of reliability and follow–up of service, and at lower prices.

- In France, consignors are discriminating more and more precisely within this range of competing services, thus fuelling competition. Firms specialising in express services face a difficult choice: either they reaffirm their specialisation by further improving their network and the service offered, or they diversify towards a "super–express" service and rapid delivery services, at the risk of competing with themselves and upsetting the balance of their range of products in terms of techniques and prices.

Despite the general trends which span several countries and the growth in international traffic which works towards more uniform products and transport organisations, broad diversity persists on the European express delivery scene. Not all European countries offer the same services, and there are notable differences in price. Finally, the operators are not the same in each country, and apart from the integrators and the more or less integrated network of the postal administrations, which are found everywhere, the regional and national market leaders are local firms, which may or may not specialise in express services and are defined to a large extent by their history, their location, and the market which they serve. The Australian and American integrators discovered this to their cost when they tried to apply the strategies which they had developed on their home markets without any modification.

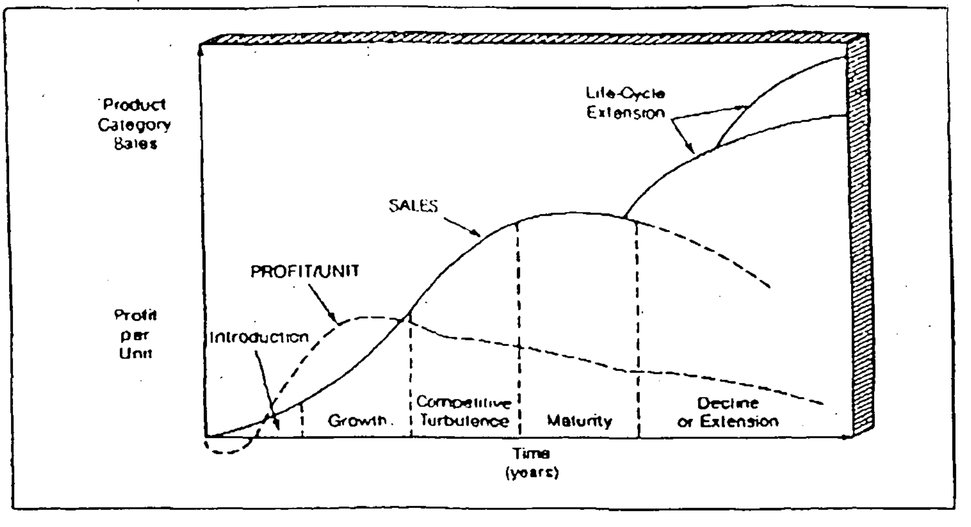
In any event, competition is stiffer than ever, in terms of both the range of products and of prices. Express delivery services are no longer a separate compartment of the public transport system, but are now part of a continuum. The relative and changing nature of express services is thus more apparent ("express" being defined as faster than "normal").

5. Enterprise strategies and industry structures

The quantitative evolution of traffic and turnover, and the behaviour of the players, are such that we can now ask a fundamental question: is the express delivery services product in the process of entering a new phase in its life cycle? From being a new product in the introduction stage, is it now becoming a "mature" product?

Express services as a product move through different distinct stages in the development of sales. The "product life-cycle" concept identifies the stages known as introduction, growth, maturity and decline. Generally the average profitability per unit rises and then falls as products move sequentially and inevitably through the stages. The life story of a typical product looks like figure 3.1. The main value of the product life cycle is descriptive, as a systematic framework, for explaining the evolution of markets that are subjects to the complex and uncertain interplay of customers, competitions and technologies.

Figure 6: Life cycle of a typical product.



The general conclusion of the experts in their national reports is that express services are not a new product any more. After a period of very high growth, there is a general slowdown of growth, although the growth rates in the express transport sector are still higher than the average economic growth. There are a number of indicators that suggest a transition to the stages of "competitive turbulence" and even "maturity" :

- slower growth of demand; the number of "first time users" declines;
- increasing level of price competition; the competitors battle for market share, while the customers at the same time become more aware of prices;
- restructuring of the industry (alliances, take-overs, withdraws);
- differentiation of the market into sub-markets.

Initially courier and parcel services were used solely for very large or valuable consignments, mainly by banks. Express services also assisted the transfer of information between high-technology countries and countries in which computer and telecommunications technology was not (yet) developed. These, initially, very specialised services gradually became commonplace and occasional users eventually became regular customers. Courier and parcel services have diversified into all product and weight categories.

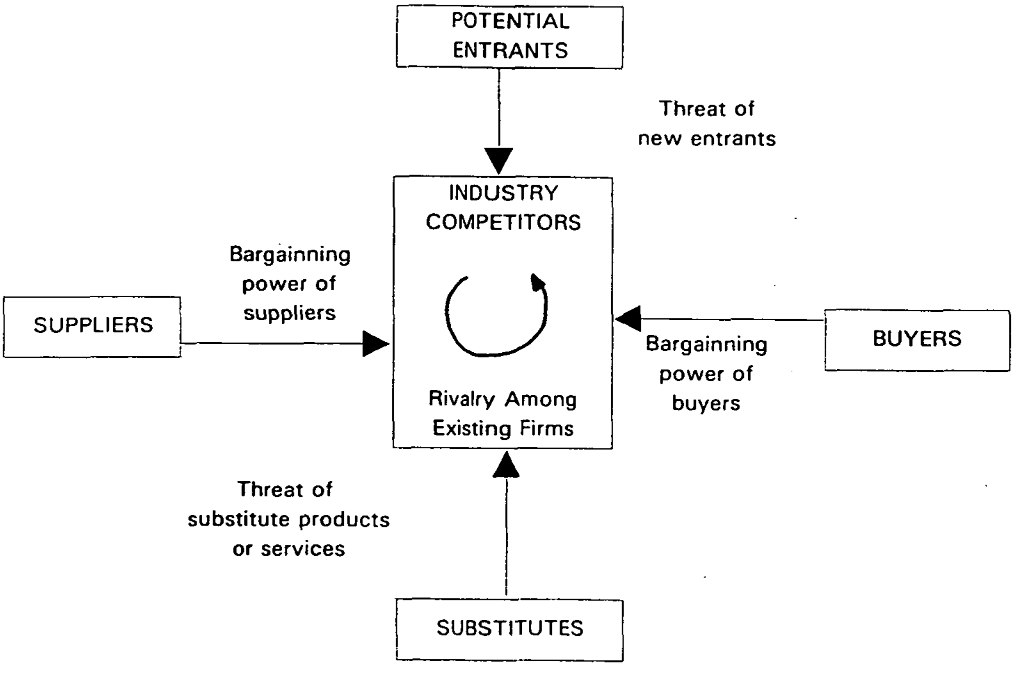
Not all (sub-)markets are necessarily in the same stage of development. The large markets in the main economic centres of the Community are beyond the initial high growth rates, while express services market in Eastern European countries, is probably still in its introduction stage. The full potential of some not centrally located regions in other countries is also not yet developed.

Although the market for express services is increasingly approaching its stage of maturity, it still remains, compared to other transport markets, an advanced market, where the evolution of certain aspects of transport can be observed.

Also, one can find considerable qualitative dynamic similarities between the past development of express transport markets of developed countries and the present development of these markets in the countries of Eastern Europe. There may be a possibility to apply lessons learnt from the development of express transport markets elsewhere to the development of a market economy with the purpose of speeding it up and increasing its overall economic efficiency.

It is important to realise that life cycles are evolutionary processes reflecting the outcome of numerous market, technology, and competitive forces present in the market, each force acting in concert with others to facilitate or inhabit the rate of product sales growth or decline (G.S. Day, 1986).Porter (1980) identifies five competitive forces that determine the situation within a certain industry. These five forces are :

Figure 7: Forces driving industry competition



a. Threat of new entrants

The market for express services in Europe was initially developed by American and Australian integrators. European based companies operating in traditional transport markets have discovered the express market and are increasingly offering new express products. Also the deregulation of postal services in a number of countries increases the possibilities for new competitors. This means that the "threat" of new entrants increases the competition in the markets for express services.

b. Threat of substitute products or services

The market for courier services (transport of documents) is in direct competition with the fast increasing use of telefax messages and electronic mail. The Italian postal service recently started a new service for electronic mail in 15 cities. It is unknown to what extent these alternative ways of communication limit the growth of the express services market. For important (legal) documents the courier and express services will remain the better suppliers.

c. Bargaining power of buyers

Initially there were only a small number of suppliers in the market. Also express services were a new product for the customer. In the current situation, as the knowledge of the customers increases and the number of suppliers as well, the power of the buyers is becoming greater. Also the current economic moroseness makes customers cost-minded. This means an increasing competitive pressure in the industry.

d. Bargaining power of suppliers

Not much is known about the suppliers of express transport companies. As the industry grows and matures, the companies are developing into a position where they can make strong demands on their suppliers. Also the unfavourable economic situation for the transport vehicle industry means that there is a "buyers market" where the buyers have the most power. The bargaining power of suppliers is insufficient to result in more competitive pressure on the express services industry.

e. Rivalry among existing firms

As in other transport markets, the rivalry among competitors is relatively high. The integrators are in competition with private and public owned traditional transport companies that have entered the market.

Again it is important to realise that there is not one market for express services. One should differentiate to identify different market segments that may have different levels of market growth, competition, profitability, etc. For example, the competition in the local market of city couriers is incomparable to the competition in the market for international express services.

The definition of market segments can be based on one or more of the following aspects:

* **Geography** : It is possible to differentiate between :
  - local markets
  - regional markets
  - national markets
  - European market
  - intercontinental market

* **Weight** : There are no fixed boundaries between different categories. Usually a distinction is made between :
  - documents and small consignments of up to 2 kg
  - parcels of up to 30 kg
  - consignments exceeding 30 kg

* **Speed** : One can differentiate in a number of ways, based on hours or days between pick up and delivery.

* **Modality** : On the international market an important distinction is the one between surface transport and air transport. Other markets are usually dominated by road transport, although train services and bicycle & moped services have also been successful in some markets.

* **Networks** : It is also possible to distinguish between types of transport networks that are used by the transport companies :
  - point-to-point (used by city couriers)
  - round-trip
  - collection, line haulage and distribution (used by groupage service suppliers)
  - hub and spoke (used by the integrators)

* **standardisation** : This aspect is concerned with the internal organisation of the carrier. The extent of rationalisation and standardisation of processes achieved is a determinant of the product the supplier of express services can offer.

In such a dynamic environment firms take numerous initiatives, and must contend with those of their rivals. Regrouping of suppliers, whether voluntary or forced, is commonplace. The aim is to achieve a minimum size, with reference to the diversity of the service offered, the extent and density of the network and the complementary nature of the different specialisations. Less often, but more spectacularly, players leave the market, as in the case of world leader Federal Express's withdrawal from the intra–European market to concentrate on the American domestic market and the international market.

- In the United Kingdom, between 1991 and 1992, entries and departures became the order of the day among some of the leading companies in the sector: Federal Express withdrew, DHL contracted out its UK business, while Securicor (having bought Elan from DHL) and UPS (following a strategy of controlling the national networks throughout Europe, and having bought Carryfast) entered the market, and Royal Mail's Parcelforce (a subsidiary of the Post Office) was on the list of enterprises earmarked for privatisation.

The links between transport operators and customers are also changing, stabilising and intensifying a style of productive co-operation which strikes a balance between the advantages of standardisation (economies of scale) and those of differentiation. These partnerships sometimes result in the creation of joint, dedicated, subsidiaries.

Some transport operators opt for specialisation in a particular niche, or simply resign themselves to it because they lack the resources to develop an alternative strategy. Others diversify to meet a whole range of needs in the hope of securing gains in terms of productivity and commercial efficiency (economies of scope). But interplay between specialised networks is limited, since the same staff and installations cannot be used to handle both letters and parcels, never mind heavy freight, nor can urgent consignments be mixed with those which are less urgent, or fragile consignments with those requiring ordinary treatment, etc.

All types of expansion and concentration can be observed: internal expansion, sometimes with intermediate stages involving setting up sales subsidiaries whose role gradually increases until they become fully fledged service providers; external expansion involving acquiring networks which complement the company's existing network, whether by extending the network (either in geographical terms or in terms of the range of products), making it more dense (bolstering its presence in key areas) or by greater integration of the chain of operations (vertical concentration).

- In Spain TNT took control of Unitrans in 1988, UPS of Cuallado in 1990, Mayne Nickles of Helguera in 1990.

These closer links do not involve transport companies alone. Ties with transit operators are also being strengthened, although the firms involved are frequently NVOCCs (non vehicle–owning common carriers) which confine their activities to customer contact, marketing, organisation and controls, and systematically contract out all operational tasks (the opposite system to that of the integrators, which aim to do everything themselves without delegating any tasks). Partnerships are even formed between competitors in order to share resources or temper competition.

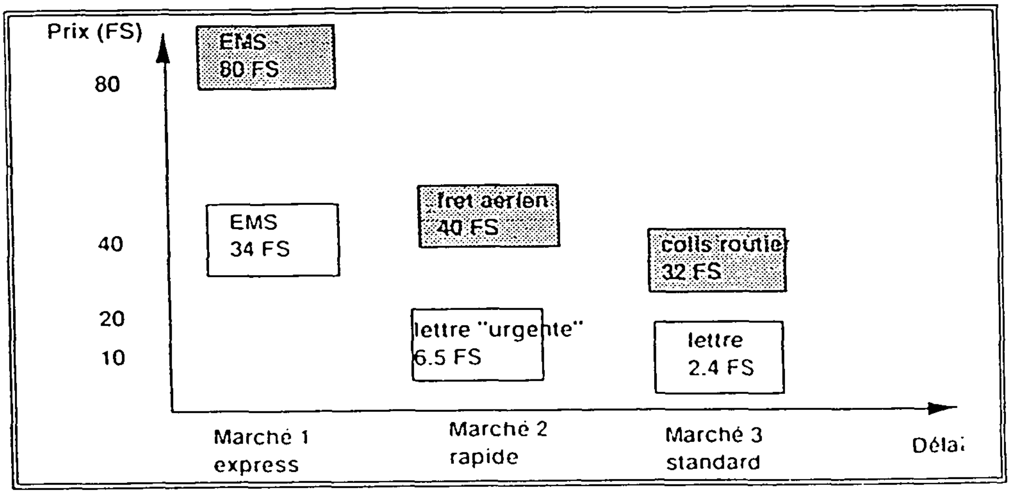
- In the Netherlands a de facto partnership exists between Fedex, Securicor and TNT, with each partner developing its own niche without threatening the market held by the others. Partnerships with forwarding agents are found mainly in the air transport sector: KLM receives 90% of its freight through forwarding agents.

A similar situation exists in most European countries. The four major international integrators are present, and firmly established in international traffic. Sometimes a national operator, often the postal administration or the EMS postal network, may occupy an important position in this market. But the national and regional markets are more hotly contested: only in a few countries, where they have been long established, such as the United Kingdom and the Netherlands, do the integrators occupy a strong position, and even there they share it with domestic operators. In other countries, national operators control the domestic market owing to their density, the technical difficulties of covering a large area, and the strategies adopted to discourage competition from outside. The national operators often include road haulage firms, the most dynamic of which have developed efficient express networks, the postal administrations, and in some cases the railways.

Table 6: Segmentation of express market on the basis of consignment size

Market segment	Description	Main players		
		National	International (Europe)	Inter-continental
Courier	Documents and packages < 5 kg	Pick–up and delivery by private & public express firms	Postal services (working with integrators) and integrators	Integrators and postal services (working with integrators)
Express packages and freight	Packages of 5-30 kg (rolltainers) consignments freight > 30 kg (pallets)	National express delivery firms, integrators	International road express delivery, forwarders, airlines and integrators	Forwarding agents, airlines and integrators

Table 7: Segmentation of the market on the basis of price and delivery time



- In Switzerland, pressure to develop an express delivery system was not very intense in the early '70s, in view of the high standard of the postal service. It was international traffic which opened up the market. The integrators are mostly present in the major cities, with DHL the leading international courier and TNT ahead in the freight market after its takeover of XP Parcel. UPS has adopted a policy in Switzerland, as in the rest of Europe, of transport by road at more affordable prices. One firm, World Courier, offers a premium service, with each consignment being accompanied by a representative of the firm. On the domestic market, the postal service monopolises parcels of under 5 kg, and private firms which handle such consignments pay back SF 1 per parcel to the PT&T! The federal railways (CFF) are developing their Cargo–Rapid package delivery network. The major forwarding agents Danzas, Kühn and Nagel and Panalpina concentrate on freight.

- In Italy, the railway tried to enter on the express market by using passenger trains and two specialised North-South and East-West trains with the new company Omniaexpress; trains on the North-South direction and vice-versa are sometimes used also by express specialists. A national operator, SDA, whose headquarters is in Rome, succeeded in establishing itself in the market segment for parcels of less than 20 kilos, where it has market leadership, whereas the Italian company Traco, bought by TNT, is undoubtedly the national market leader for all parcels irrespective of unit weight. DHL is dominating the international market, but TNT express Worldwide is trying to attack it in the same market and put in operation, through Traco, planes dedicated to the internal route. The Rapid Post (Postacelere), which has almost 50% of the traffic originating in North Italy and mainly in Lombardia, is well present in the internal market with almost 3 million items of mail in 1994.

- Within Ireland there exists a direct correlation between speed of delivery performance and rates charged. On average delivery "next day" is 50% more expensive than "two-day" delivery, whilst delivery "same-day" is 80% more expensive than delivery "next-day".

  SDS, a division of An Post, is the National market leader and the only supplier offering overnight express services to every destination nationwide. A number of competitors offer nationwide express services to businesses by subcontracting through local operators. The largest share of the International market is held by the integrators.

- In France, national operators dominate the domestic market, while a subsidiary of the postal service, together with the integrators, dominates the international market.

Table 8: Express operators in France.

Domestic traffic (1991)			*International traffic (1991)*		
	Turnover	*%*		*Turnover*	*%*
Sernam	1.2	19	Chronopost	0.5	30
Franc Expr.	1.2	19	DHL	0.4	22
Chronopost	1	17	TNT	0.3	17
Calberson	1	16	FEDEX	0.3	17
Jet Service	0.9	15	UPS	0.1	6
TAT	0.5	8			

- The case of Finland confirms the segmentation of the branch of express transport between operators whose size and sphere of activity are very different: local operators are small and very numerous. International operators are multinational corporations in oligopolistic competition. Between these two extremes, the situation is perhaps more sensitive for the national scale operators, if they are not in a position to ensure the complementarity of their traffic with the international traffic.

The trend towards concentration seems likely to continue, even if shrinking profit margins put a stop to further acquisitions and the actual technical and commercial integration of the networks takes longer than the financial transactions leading up to it. Depending on the operation concerned, the industrial aspects or the financial merger may be more important. Over time, new sets of services for businesses are coming into being, whose logistical functions may act as the focus for development.

6. Outlook

Current patterns, further accentuated by the underlying trends in the organisation of the industry (such as steering production by managing flows and stocks), seem too well established to be called into question by fluctuations in the economy. The most likely scenario, then, is the continuation of current trends.

But new issues may well be raised as the situation develops, while a number of regulatory problems are still outstanding, the solution to which may have far–reaching implications, depending on the options chosen.

The distinction between integrators and operators of European origin has not lost its relevance, but the interplay between the two categories means that it is increasingly blurred. The European operators, often nationally or even locally based, are building up their international networks, at first expanding into neighbouring countries but, in the case of the larger operators, also into European and worldwide networks. They are therefore themselves in a position to become "integrators". i.e. operators capable of integrating all the links in the transport chain from pick–up to delivery, including computerised tracking of the entire operation. Will this result in a new sharing–out of the markets, more intense competition which has already led to an appreciable drop in prices, and the exit from the market of more companies which are unable to withstand temporary losses in the expectation of profits to come? Or will it mean new partnerships, at times unexpected, such as those concluded recently between DHL and the air carriers Lufthansa and Japan Airlines, and between TNT and five postal networks to create Global Delivery Express Worldwide?

The question of the position and role of the postal administrations in the express delivery market is crucial (1.7 million people are employed by the postal administrations in Europe, 1.3 million of them in the public sector). One reason for this is that the quality of the "standard" postal service is a decisive factor (one way or the other) in the development of private express services. In the United States, Fedex built up its market on the basis of the inadequacy of the Federal Post Office, while, on the reverse side of the coin, the high standard of the postal service in some of European countries and the Scandinavian countries has considerably restricted the market openings for the integrators.
Another reason is that the postal administrations are right in the front line of possible

privatisation and market liberalisation policies, which henceforth fall within the jurisdiction of the Member States and of the Community.

- In Sweden, there has never been a Post Office monopoly on express deliveries or, since 1991, on postal deliveries.

- In the United Kingdom, the government has plans to privatise British Rail's Red Star express delivery service, but this will raise tricky questions concerning the sharing of facilities. The privatisation exercise may include the Post Office's Parcelforce. The political debate centres on the maintenance of a public service, in particular the service to rural and outlying areas.

- However, in those countries where there is least regulation of postal deliveries, such as Finland, the introduction of Community legislation would not necessarily have a liberalising effect, but rather the opposite.

The 1992 Green Paper on postal services raises the issue of defining and implementing a "universal service" on a European scale. There are numerous problems to be solved, looking beyond the strictly ideological aspects, which are undeniable: cross-subsidising, whether or not deliberate, between different services, regions, firms, etc. This is fertile ground for the debate on the balance to be struck between harmonising the conditions of competition and liberalisation, and for efforts to give a modern face to the basic concept of public service, without which other concepts advocated by the Community are devoid of meaning.

These questions also apply, albeit in an entirely different economic and political context, to the countries of central and eastern Europe. What will be the role of local operators, international investors and co-operation between public or privatised postal services?

- In Slovenia, the development of the express market has been, since 1991, rather intensive. By 1994, it was well established, its structure resembling that to be found in other European countries with mature express markets. This development has been coupled, and intermingled, with privatisation processes on both the demand and supply sides of the traditional transport market. In 1994, the Slovene economy has started to recover from its losses, incurred by the break up of Yugoslavia, with good growth prospects for the future. In view of this, one can expect, in the following years, further growth in both demand and competition in its express market.

While it may be true that express services as a product have moved beyond the initial introductory stage characterised by high prices and a high rate of growth in the volume of activity, and have reached the stage of maturity, where price competition sets in as the service spreads and becomes more commonplace, the structure of the sector is by no means set in stone.

- In Finland, the stock market value of express delivery firms has fallen, reflecting the erosion of prices and profit margins.

Further entries and departures and mergers between companies can be expected, and will not be confined to the express delivery sector, which is henceforth a part of the ever–expanding and more diversified transport, logistics and business services sectors.

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The aspects dealt with in this first part relate to the activities of companies, consignors, transport operators and various intermediaries. The role of policy–makers has only been touched upon, without examining in detail the general issues linked to the growth of express deliveries and the response to the rapid changes which characterise the internal economic scene at present. Some of these issues are internal to the transport sector, some relate to the conditions of competition in which it develops, or to the sensitive question of infrastructures and the worrying growth in congestion, while others relate to broader external effects concerning adverse environmental effects and pollution, safety, regional planning, the concept of public service, etc. Part two explores these aspects.

PART TWO

Political questions

The questionnaires completed in the 10 countries considered - Finland, France, Ireland, Italy, the Netherlands, Slovenia, Spain, Sweden, Switzerland and the United Kingdom[3] - and at European level included a number of thematic headings. The sequence of those headings is adopted again here, the national contributions being blended to produce a summary.

1. Express-oriented transport policy

No country has a specific transport policy for express delivery services. In most countries, regulation and activity are still dominated by the split between modes, though express delivery is very much a multimodal activity. Even within road transport, which is the most widely used technology for express delivery in Europe (unlike the American market, which is organised around air transport), the most use is made of small vehicles, which are subject to less restrictive regulations and constraints than heavy vehicles.

The subject of privatisation of the state-owned enterprises in the public sector is a very live issue everywhere. However, the railways do not play a major part in express delivery services, except occasionally through specialised subsidiaries or divisions which rely primarily on road transport. The question of privatisation of the railway undertakings is not, therefore, as critical as it may be in connection with other types of freight.

On the other hand, the question of the status of the Post Office and the general rules governing its activity are on the agenda everywhere. Despite a general trend towards liberalisation of the market, the Post Offices retain a specific function. Current ideas about the universal service to be defined on a European scale show that this notion is still relevant from the standpoint of social equity, territorial cohesion and economic development. In several countries, the Post Office has changed status, from that of a government authority to that of a business enterprise, and the state-owned enterprises have sometimes been privatised, at least in part, or exposed to competition from private undertakings that have been deliberately introduced into the market. At least, within the functions of the State, a better distinction is made between the role of regulator and that of operator.

[3] Although not a signatory of the MoU, the United Kingdom agreed to complete the questionnaire.

Table 9: Privatisation plans per country

Country	Privatisation plans (as notified by the national delegates)
Finland	- Post of Finland remains a state owned limited company - Finnair, which offers domestic express transport services, will be partially privatised
France	- no immediate privatisation plans - the SNCF delivery service could be made a subsidiary company, but there are no plans for privatisation
Ireland	- no plans for privatisation - there have been transfers of express services from the public sector into the private sector (air freight)
Italy	- Italian Postal Administration will turn into a company in 1996 - possible cooperation between railways and post (both state owned) in parcel services
The Netherlands	- privatisation (30%) of national PTT in 1994 - EMS express services included in privatisation scheme
Slovenia	- postal operations will be separated from telecom operations - organisation in transition, final outcome not completely clear - possible privatisation in the long run
Spain	- no plans for privatisation - public operators are important market players (Renfe, Iberia, Correos) - private companies complain of unfair competition
Sweden	- no plans for privatisation of Swedish post, which is a state owned company
Switzerland	- express cargo operations of Swiss railways taken over by company (CDS) that is partly owned by private investors - PTT enters into co-operation agreements with private express companies
United Kingdom	- government intention to privatise Parcelforce service of national postal organisation

As regards the limits and content of the postal monopoly, national disparities are still very great, despite the efforts at harmonisation. In all cases, express delivery services are outside the postal monopoly and come entirely within the scope of the competitive market. Those in competition with the Post Offices are quick to accuse them of unfair competition, the Post Offices sometimes being suspected of taking resources from their public service activities (which are guaranteed by a monopoly and explicit official support) and allocating them, directly or indirectly, to competitive activities (using a cross-subsidisation device). Transparent accounting by all the operators concerned would help to shed light on this controversy.

Working conditions are also the subject of official concern. They are generally good in the large enterprises but more difficult, or even downright bad, in the small enterprises operating as subcontractors to the large ones and in the firms operating urban services. One line of thought would be, rather than setting up a regulatory system whose implementation would be uncertain, to prefer a procedure of regulation by the professional bodies, employing a professional label or quality certification.

Finally, express delivery services are involved in a problem which is becoming more and more widely acknowledged: the organisation of the carriage of goods in towns, which is incidentally the subject of a COST 321 project, and raises - for example - the question of heterogeneous and largely ineffective local regulations governing access by certain vehicles to town centres.

2. Competition

There is no regulatory barrier to entry into the express delivery market, as evidenced by the presence of numerous foreign operators in each country. Only the public service provided by the Post Offices, as already mentioned, is generally run as a monopoly, exempt from competition. Competition, if it were authorised, would extend only to a few potentially profitable sectors and would ignore the chronically loss-making sectors (the familiar pattern of "skimming the cream").

The charges of cross-subsidisation practices laid against some Post Offices could also be applied to international operators, especially the American integrators, who subsidise their losses in the European market out of their profits from their original market.

The real barriers to entry into the express delivery market are technical and economic. The setting-up of an efficient network is a long and costly business, especially in the countries which are geographically largest and most difficult to service, such as France, Spain and Italy.

The professional bodies seem to play only a limited role. They are not even able to compile - much less distribute - complete and reliable information on their sector, which is something all their member enterprises need. But concern for the protection of trade secrets is regarded as more important than the need for information. At European level, the lobbies are concerned with monitoring the evolution of Community policies, especially with regard to the Post Offices, and trying to intervene as much as is necessary.

Competition is becoming more internationalised. Internal markets are more important than international ones, but the latter are growing faster. The industry is becoming segmented along the line dividing the national enterprises from those that are capable of extending their networks beyond their countries of origin, into neighbouring countries (adopting a regional approach, as in the Baltic area for example), or into a larger area of the European continent or of the world as a whole.

After a phase of intensive merger and acquisition activity, concentration in the sector has recently marked time. Some enterprises have pursued a systematic acquisitions policy to become front-rank operators in several national markets, like UPS. Others have pulled back, like Fedex, which no longer provides an intra-European service but includes Europe in its world network. The technical and commercial integration of the networks undoubtedly supplements the financial concentration, but enterprises can be seen to be moving closer together, gradually, in a variety of ways, ranging from a simple correspondence agreement to joint ventures, cross-participations, and straightforward take-overs.

Competition, both technical and commercial, will continue to be confronted by the same difficulty: how can dense coverage of the territory served, which is essential for good quality service and productivity, be combined with constant expansion of the network? Will national markets long remain slightly distinct from international markets, or will the same operators be used for all traffic? International concentration is thus likely to continue.

Table 10: Competition questions per country.

Country	Entry Barriers	Professional Organisations	Sale of services abroad	Concentration	Co-operation with foreign firms
Finland	- Survey: no barriers to foreigners - cross subsidies	- no commercial coordination	- mainly the Baltic and Russia	- No: the three world leaders plus the Post Office plus assorted small firms	- Yes, on a sub-contracting basis
France	- No regulatory barriers - Economic barriers (territorial)	- do not even compile statistics	- a few countries nearly or the whole world?	- Yes (Prost-UPS) Withdrawal of Fedex - Joint venture GDEW	- International network essential: partnership or merger?
Ireland	- Commercial criteria predominate	- most major suppliers are members	- to the UK, NL and D, plus the major integrators which are present everywhere	- no, new entrants - prices cut	- co-operation between major networks and SMEs
Italy	- no barriers - no cross-subsidy	- several organisations (big specific ones, small general ones)	- only the big networks have any major external activity	- no, concentration has taken place - entry of RPS?	- withdrawal of Fedex to the advantage of SDA - other forms of cooperation or joint venture possible
The Netherlands	- free market little information on links between PTT and EMS	- two organisation which may merge	- to Belgium and Germany	- still strong concentration - economies of scale	- EMS is part of GDEW - UPS is buying Beemsterboer - some co-operation with B and D
Slovenia	- the main problem is the Post Office which is cross -subsidised by the State and linked to tele-communications				
Spain	- price competition - new entrants - oversupply	- no - commercial - co-ordination	- domestic market = 90% of total	- not yet - fight for market shares	- Yes, as local correspondents
Sweden	- no legal barriers - cross-subsidy	- 4 main international providers (TNT, UPS, DHL + Sweden Post International) have set up one organisation SIET.	- World wide express services operate markets in European countries and outside Europe - Air express services cover Nordic countries	- No, only dominance of 3-4 big international express service providers	- Yes, except purely national providers - The Swedish national railway close co-operation with foreign countries

Country	Entry Barriers	Professional Organisations	Sale of services abroad	Concentration	Co-operation with foreign firms
Switzerland	- no barriers outside the postal monopoly(budget to be balanced by the year 2000)	- all operators are members	- European market: Cargo Domizil, otherwise EMS	- no, no sign of concentration	- the Post Office wishes to enter GDEW
The United Kingdom	- no barriers - cross-subsidies possible through charges	- 95% of companies are members	- mainly the EEC	- stabilisation of new operators	- Fedex has gone - *DHL* has been bought back

3. Environment, energy, safety

Express delivery is a restricted segment of the global traffic in goods, and so does not call for any special policy as far as environmental, safety and energy matters are concerned.

Any policies which may exist to encourage the transfer of traffic from one mode to another (from road to rail or waterway) cannot affect express delivery, which employs road transport for reasons of flexibility and time, and where this is unsuitable resorts to the air. On some major routes one could well imagine more frequent use being made in the future of combined rail-road transport or the future TGV freight, but environmental concerns would not be the direct cause of this.

On the other hand, urban freight management policies, which are in use in a number of European cities, could affect delivery services, and express in particular, by trying to restrict entry by commercial vehicles into city centres. The networks with the most securely established local position could be called upon to deliver articles brought in by other enterprises.

Environmental problems affect express delivery services through the noise of night-time air traffic. Restrictions on movements at Maastricht airport led enterprises which had set up in business there to move to the more tolerant surroundings of Brussels or Cologne. Establishing business at small specialised airports, far from the major population centres, is not necessarily an answer, in view of their distance from the markets and the limited range of services they could offer their users. A possible tightening of the regulations, or an increase in the levies associated with nuisance, would promote more frequent use of road haulage, or the use of aircraft conforming to more exacting standards.

As for transport safety, no doubt the desire for speed results in vehicles being driven very fast on certain motorway links where the transport planning schedules are tightest. The major operators are regarded as being better than their subcontractors at respecting the regulations. Finally, the correct arrangements are not always made for the carriage of hazardous goods, which may be mixed with ordinary goods, even without the carrier's knowledge.

Table 11: Environment, Energy and Safety questions per country.

Country	Government Policy	Environmental Studies	Night-Time Restrictions	Safety Problems
France	None.	None.	Yes - at some airports.	Some concern about sub-contractors.
Finland	None - limited regulation recommended.	None.	None.	No specific safety problems.
Ireland	No regulatory policy exists. Regulatory control recommended.	None.	None.	No specific safety problems.
Italy	None - no perceived need exists.	None.	None.	No specific safety problems.
The Netherlands	None.	Yes - relating to impact on Maastricht Airport.	Yes - at Maastricht Airport.	No specific safety problems.
Slovenia	None - no perceived need exists.	None.	None.	No specific safety problems.
Spain	Greater regulatory control recommended.	None.	None - some support services limited.	Some concern regarding conveyance of hazardous goods.
Sweden	None - limited regulation recommended.	None.	None.	Some concern regarding conveyance of hazardous goods.
Switzerland	None - no regulation recommended.	None.	Yes - at Geneva, Basle and Zurich.	No specific safety problems.
The United Kingdom	None - regulatory control could be recommended.	None.	General commercial restrictions apply.	No specific safety problems.

4. Location of facilities

Each country has one or two main airport platforms, around which the express delivery networks which make use of aircraft are organised. These airports are linked to the road network, and are improving their road access so as to become integrated into multimodal systems. Notable examples of such arrangements in Europe are Brussels (for DHL), Cologne (for TNT) and Paris-Roissy (for Fedex).

Local authorities make virtually no effort to attract to the airport pivots of the express delivery services, perhaps for fear of noise nuisance, and even seem to take a negative attitude towards the land-based traffic platforms.

Little interest is taken in the possibility of linking facilities to rail-borne facilities. However, Roissy could be an important focal point of a future TGV freight network, and an increase in combined rail-road transport is a possibility (as has already occurred with ordinary UPS deliveries in the United States).

5. Regional planning and development

Regional planning and development concerns could have been serious if express delivery had served only a few major cities, disregarding smaller towns or outlying regions. This is not the case, most operators endeavouring to offer their customers a coverage of the territory which is uniform not only geographically but also in terms of service quality and pricing (through a partial scale of charges, the major cities enjoy quicker delivery times than the hinterland). What happens is that the full coverage of the territory is based on the very detailed Post Office network, which can handle consignments passed on to it by other express delivery specialists.

6. Transport and telecommunications infrastructures

Information systems are an essential element in the operation of express delivery networks, where telematic monitoring of each shipment is becoming standard, as is the exchange of computerised commercial data. Generally, however, the telecommunications networks are able to provide the necessary transmission services, and the obstacles to the spreading of these technologies among the carriers are more economic or organisational in nature.

Except in a few areas (and especially in the Netherlands), road congestion is not perceived as an obstacle to the expansion of express delivery as much of the traffic is handled at night. Urban congestion, on the other hand, affects the productivity and competitiveness of the terminal operations. Where airports are concerned, the congestion found in London and Frankfurt could benefit locations able to cope with increased traffic.

The availability of intermodal facilities, as has been seen, is not essential, the more so since the flexibility of road transport provides ready access to a site if it is decided to make use of combined transport. But this technology, currently marginal as far as express delivery services are concerned, could develop in the future.

Table 12: Transport and telecommunication per country.

Country	Infrastructural problems	Potential for development of multimodality in express transport	Cooperation problems between infrastructure owner and terminal operators
Finland	Traffic congestion.	Trains should be used more	Slow handling at the airports.
France	Traffic congestion in urban areas	Potential development of the High Speed Train Freight	None.
Ireland	None.	None.	None.
Italy	Telematics, partly customs	Post by road	None.
The Netherlands	Traffic congestion	Post by road	Night-flight prohibition is a nuisance.
Slovenia	Telematics, customs	Post by road.	None.
Spain	Congestion in Urban areas	Inadequate rail supply, possibly road-air	None.
Sweden	Traffic congestion in bigger cities	None.	None.
Switzerland	None.	None.	None.
United Kingdom	Airspace at Heathrow	None	Demarcation of customs.

7. Technologies

In general, there are no national or Community programmes to facilitate the introduction of new technologies into express delivery systems. This remains a matter for the enterprises: the public authorities play a significant part only in the field of communications infrastructures.

Standardisation is essential in order to increase productivity, but it must not be allowed prematurely to halt technological advances, which are currently very rapid. The two main fields of application for standardisation are electronic data interchange (EDI) on the commercial file and bar-codes for the automated handling and sorting of packages. But these technologies are not spreading as rapidly as was predicted a few years ago.

Information technologies are necessary in order to provide the service, and help to ensure its quality from the customer's point of view. But there is no general procedure for measuring the level of service supplied, although the ISO 9002 quality certification is beginning to become widespread.

The integrators and the major state-owned and private national operators are those most closely concerned with the new technologies, which are a factor in marketing. However, it is also felt that the new technologies still have only a limited influence on business strategy, which is guided my market trends.

8. Central and eastern European countries

It cannot be said that more use is made of express delivery services in the central European countries than in the west, although they may sometimes be preferred to the Post Office because of their reliability for some sensitive consignments.

The express delivery market, formerly very underdeveloped, has undergone spectacular growth rates since these countries opened up to trade with western Europe. But traffic volume is still low in absolute terms. Germany, Austria and Italy maintain special local links, while recent free trade agreements between countries in the region have also increased demand for express delivery services.

The presence of the major operators in the central European markets also serves a dual purpose: providing a service to this region on the same terms as the world in general; and becoming established from today, enduring loss-making years if necessary in the expectation of future growth and profitability.

The smaller operators lack the resources to maintain a direct presence, and so try to form alliances - through joint ventures or otherwise - with local partners, who, for their part, see this as an opportunity to broaden their operations onto the international scale.

For the present, then, the development of express delivery services in the countries of eastern and central Europe still has special features; they are on the fringe of the expanding European market before being totally integrated into it.

Table 13: Opening up to Central and Eastern European countries per Western country.

Country	Importance of Central European Destination	Importance of Central European Express Markets	Joint Ventures between Central European and National Carriers
Finland	More frequent destinations to Baltic and CSIS countries (over 30%).		
France		Future potential markets and profits.	Companies trying to increase their presence on these markets.
Ireland	Growth area	At present very important	Paneuropean services are offered through joint ventures and integrations.
Italy	Yes.	These markets are important for Italy, but strongly competed.	The participation of the carrier Domenicelli in the group General Parcel.
The Netherlands	No indications.		In 1994, Dutch railways joined UIC European parcel initiative.
Slovenia	Yes.	Traditional Slovene trade partners with increasing importance due to free trade agreements.	Yes. In 1994, SZ joined UIC European parcel initiative.
Spain	No.	No.	No.
Switzerland	No.	Future potential markets to mature in 3 to 5 years.	Joint venture and services in the course of development, e.g. CDS Cargo Domicile AG and PTT plans.
Sweden	Important.	Important.	
The United Kingdom	A growth area.	Low relative importance compared to traditional and mature express markets.	

9. Social questions

Social problems are very important in transport. Working conditions and pay levels - and technical regulation, too - directly affect the productivity of enterprises, especially in this nuclear-structured industry of road haulage. The chronic problem of striving to be competitive at the expense of deteriorating working conditions becomes even more acute at times when there is a surplus on the transport supply side, and reinforces the very factors that encourage it. The current situation recurs, following a vicious circle.

The result is the production of typical organisational forms, such as independent (non-industrial) working which sets the labour force apart from the conventions of the wage-earning workforce, or the rapid rotation of wage-earners, justifying the low level of qualifications required. In this context, it may be noted that the emphasis on training varies greatly between different countries and different enterprises. As a general rule, the large operators provide better working conditions and better compliance with regulations, "externalising" this problem by using subcontractors. In this respect there is little difference between express delivery services and other sectors of transport.

Eventually, however, the increasing demands made by the economy in terms of service and the efforts made to achieve "upward" social harmonisation at Community level may encourage a shift in the trends, in the event of the appearance of a political intent and an explicit agreement between the social partners (loaders and carriers, employers and employees).

10. Information

Statistical knowledge of express delivery services is very poor everywhere. Even those countries which have a good statistical apparatus for traffic measurement have only a very poor grasp of this activity, for which the units of measurement used (the tonne or tonne/kilometre) are unsuitable. As for economic and social data, which must necessarily be obtained from the enterprise, they are treated as confidential, especially as regards costs and prices, and the professional organisations themselves have no access to them.

Perhaps a study of a few airport hubs, points through which international traffic must necessarily pass and where the obtaining of information is easier, would enable valuable progress to be made.

It may be wondered whether the express delivery sector, which likes to think of itself as the leading edge of modern freight transport and makes more reference than others to the free interplay of competition, can dispense in the long term with an information system worthy of the name, essential to that minimum of transparency which is one of the theoretical conditions for the proper functioning of market mechanisms.

11. Express delivery services and transport policy

Express delivery services are certainly not the priority issue in transport policy, bearing in mind the relatively modest scale of the traffic they handle, if not the size of the workforce they employ, in comparison with other forms of transport. But they successfully fulfil their function of shedding light on more general problems: market regulation, organisation of professions, planning and use of infrastructures, the external effects that concern the proponents of "sustainable development", the acuteness of social problems, inadequacy of information systems, etc.

Express delivery is also one of the instruments for the establishment of a genuine single market, and for opening it up effectively to the world markets. Finally, it makes it possible to measure the competitiveness of European enterprises, their specific methods and their capacity to organise themselves into effective alliances to confront operators from other continents.

PART THREE

Attitude of the European Commission and international Associations

In this part EC means the European Commission, and EU means European Union.

Introduction

The research in each State participating in the action has been coupled with related research at European and International level. More precisely, the position of the EC and of some European / International associations has been considered as an important information input to be added to the national information. The results of this European / International level research are presented below divided in three sections:

(1) overview of the position of the EC,
(2) overview of the position of the European / International Associations
(3) general overview in respect to the European questions.

1. Overview of the position of the EC

In Table 1 of the next page, a summary of EC services implication to the express delivery services is presented. For each EC service, all initiatives, directly or indirectly concerning express delivery services, are presented. From this recapitulative Table a number of conclusions can be extracted:

Legislation, Communications, Political actions

- The only **legal acts directly concerning express delivery services** are the four cases examined by Directorate General for competition: express services in Spain and in the Netherlands, the GD-net notified concentration and the Ducros-DHL-Elan case.

- There exist two **basic documents directly concerning postal services:** the Green Paper on postal services, and the Guidelines for the future development of postal services. There exist also two political actions of the EC concerning the postal services: the Council resolution calling for Commission action of February 1994 and the results of the Council of Ministers of Telecommunications of June 1995.

- It is noted that, in the framework of the postal sector policy development, inter-service consultation takes place and a number of Directorate Generals express their position, which has to be integrated in the final text. The coordination of this policy development and inter-service consultation belongs to the DG XII, the service responsible for postal affairs.

- There exist a number of **legislative and other actions, communications and political actions indirectly concerning express delivery services** : air transport policy, trans-European networks, transport related environmental issues (DG transport), competition rules (DG competition), the Community Customs code and related implementing provisions (DG customs), social policy (DG employment), environmental issues (DG environment).

Table 14: Summary of EC services implication to the express delivery services

	Legislation - Communications - Political Actions			Other initiatives		
	Directly concerning		Indirectly concerning Express Services	Directly concerning		Indirectly concerning Express Services
	Express Services	Postal Services		Express Services	Postal Services	
	(Legal acts)	(Communications & Political Actions)	(Legisl. - Communic. - Political Actions)			
1 DG Transport (DG VII)			Air transport policy, Trans-European networks, Environmental issues, other	Study for express services, COST 314		Studies for air transport and infrastructure issues, Research
2 DG Telecommunications (DG XIII)		Green paper on postal services, Guidelines, Council Resolution		Consultation of express operators associations	CAPE project, study for rural areas, study for emp	European Information Society, DRIVE, TEDIS; ESPRIT
3 DG Competition (DG IV	4 Cases: Express Services in E and NL, GD-net notified concentration, Ducros-DHL-Elan case		Competition rules, consultation in the framework of postal services green paper	Consultation of express operators associations		
4 DG Customs (DG XXI)			Community Customs Code, implementing provisions, consultation in the framework of postal services green paper	Collaboration with CCC for consignments requiring fast customs clearance	Study for postal services	Customs 2000 Statement
5 Consumer Policy Service			consultation in the framework of postal services green paper		Studies for postal services	
6 DG Internal Market (DG XV)			consultation in the framework of postal services green paper			
7 DG Employment (DG V)			consultation in the framework of postal services green paper		Future creation of a Parity Committee, Consultation of international associations	Study for employees training in transport
8 DG Regional Policies (DG XVI)						Project for financing Maastricht airport
9 DG Environment (DG XI)			Environmental issues concerning transport			Studies for environmental issues of transport
10 DG Energy (DG XVII)						Initiatives for optimisation of energy consumption in transport, Research
11 DG External Relations (DG 1)					5 projects for postal services under PHARE programme	
12 DG Research (DG XII)						
13 Statistical Office				Establishment of express statistics in the future	Panorama of Community Industry	Transport Statistics

Other Initiatives

- As far as **other initiatives directly concerning express services** are concerned, DG transport participated in the Prognos multi-client study for express services, and co-ordinates COST 314 express delivery services research initiative. DG XIII and DG competition participate in consultations with express operators' associations. DG customs participated in consultations with CCC for the definition of Guidelines for fast customs clearance of consignments. Finally, the Statistical Office examines the future establishment of express services statistics separately from goods transport statistics.

- There exist several **other actions related to postal services**. DG XIII financed CAPE project and launched a number of studies concerning postal issues (rural areas, etc.). DG customs and Consumer Policy Service prepared studies examining related issues of postal services. DG employment plans to create a Parity Committee for postal services and participates in consultations with international associations. DG external relations prepared five projects under PHARE programme concerning postal affairs in Central European countries, and finally the Statistical Office issues the Panorama of Community Industry which contains a chapter for postal and express services.

- Finally, there exist a number of **other initiatives indirectly concerning express delivery services** issued by Directorate Generals for transport, telecommunications, customs, employment, regional policies, environment, energy, and statistical office, in matters related to their competencies.

As a general remark, it has to be noted that **the EC makes no distinction between normal and express consignments of any kind** (letters, packages, freight). The EC deals with issues such as air transport policy, transport of goods or postal services in a general way. All services included in each sector should comply to the principles set for the whole sector. Consequently, the EC has no specific policy for express delivery services.

This fact makes more difficult the drawing up of a concrete EC position for express delivery services, as **these services follow rules of several EC policies**. The express services competitive environment is determined on one hand by the free competition rules of the European single market and on the other hand by the likely development of deregulation in the postal world. Furthermore, the supply of express services using air and road transport in the territory of the EU is subject to rules imposed by air transport policy and by policy for goods transport by road (technical standards, social rules, environmental restrictions, etc.). In this way, the EC ensures that there is no discriminatory policy giving advantage to any specific service offered inside the same sector, as the same rules apply for all services.

Within this framework of EU legislation, express operators have to offer a unique service of door-to-door delivery to their customers and take the responsibility that all parts of the express transport chain comply with European (and possibly international) rules.

As far as involvement of EC services in express delivery services is concerned, between the intensive but indirect implication of **DG transport** and the limited but concrete involvement of **DG competition**, **DG XIII (postal services)** plays a dominant role for all issues concerning the postal sector. **DG customs** also plays an important role for customs issues related to express services. All other EC services play a rather marginal role, as they deal only with their concrete competencies, which have only an indirect impact to express services.

2. Overview of the position of the European/International Associations

The position of International Associations cannot be summarised as a unique position, as **the international associations reviewed have totally different profiles**. It is evident, that express carriers associations have a different approach than workers' or consumers' federations. The following points summarise the position of each international organisation:

- The **Customs Co-operation Council** (CCC) is an international organisation grouping national customs authorities of countries all around the world and has issued Guidelines that may be applied to simplify and harmonise customs formalities in respect of consignments for which immediate clearance is requested. Subject to the relevant national legislation, these Guidelines and any specific arrangements for expedited clearance / release apply equally to all consignments for which expedited release or clearance is requested, regardless of weight, value, size, type of operator or carrier (e.g. courier companies, airlines, freight forwarders, postal services) or of mode of transport. It is noted that use of these Guidelines is not obligatory.

- The **CCC Guidelines** distribute all consignments for expedited clearance / release, in four categories : 1) documents 2) low value non-dutiable consignments, 3) low value dutiable consignments and 4) high value consignments. The CCC Guidelines introduce two new philosophies. As far as fair competition is concerned, all operators should benefit from special treatment if they fulfil the necessary requirements (consignment volume, etc.). As far as information flow is concerned, the trend is towards the replacement of physical control by electronic data control.

- The **Postal, Telegraph and Telephone International** (PTTI) is the international federation of unions of workers in postal and telecommunications sectors. PTTI role in international level discussions is growing with the rapid internationalisation of markets. According to PTTI, it is necessary to ensure and maintain a universal postal service at accessible prices and to preserve to the public postal services a reserved services area in order to allow them to guarantee a universal service.

Furthermore, there is need to regulate competitive areas in such a way as to no longer prevent the capacity of public postal services to enter in competition in these markets, and to ensure that public postal services are able to offer a competitive trans-frontier service.

- It is within **PTTI policy** to encourage cooperation with employers in common interest areas, and with other unions, in particular with those of transport sector workers. PTTI stresses the problem of the non existence of unions in the private express operators sector. The postal sector, with a tradition of social dialogue between employers and unions has to face competition from private operators where such a dialogue does not exist as such.

- The "**Bureau Européen des Unions de Consommateurs**" (BEUC) is the organisation representing in European level a number of consumers' unions and its objective is to protect and promote consumers' interest at an international level. BEUC has no specific initiative in the field of express delivery services, as it considered these services as part of the postal sector. BEUC has a positive approach towards the Green Paper but is preoccupied that the consumer interest will not be undermined by this liberalisation procedure. It is BEUC's position that both universal and reserved services should not be liberalised.

- **BEUC's position** is categorical that consumer rights in the postal sector must be clearly enunciated and that they must be given (legal) effect in future Community action. According to a BEUC study, fifteen months after the completion of the single market, postal Europe is not yet a reality for consumers. Price differences remain important and the cross-border service quality varies considerably between the Member States and remains unsatisfactory. BEUC insists that EC's proposals take into consideration European consumers' requirements and ensure a better service quality to the consumers.

- The **European Express Organisation** (EEO) is an organisation representing companies of the express delivery sector in Europe. EEO supports the liberalisation procedure opened by the Commission's Green Paper on postal services. According to EEO, cross-border (inbound and outbound) and direct mail should also be liberalised and the remaining part of State monopoly in the postal sector should be minimum. Among various practical problems faced by express carriers, EEO calls attention to two of them : the congestion problems in all major European cities and the insufficiency of ground handling services.

- The **Association of European Express Carriers** (AEEC) is an organisation representing companies of the express delivery sector in Europe. AEEC's position is included in a joint EEO-AEEC statement.

- According to a **joint EEO-AEEC statement** for the Commission's proposal for a regulatory framework for postal services, there exist three basic considerations: 1) the overall thrust of the Community's postal policy seems to be towards widening competition and limiting the use of reserved services, 2) the importance of separation between regulatory and operational functions is maintained, and 3) the absence of objective evidence to support a reservation over cross-border and direct mails is clearly recognised.

- The **International Post Corporation** (IPC) is an organisation representing 20 postal administrations throughout the world and deals mainly with technical matters related to international mail operations. IPC is a postal sector related organisation and therefore its implication to express delivery services is mainly limited to EMS service. According to IPC the challenges in the international marketplace are clear and require a united, customer-oriented response from the Post. Posts are obliged to evolve inside a new regulatory framework in order to remain competitive. The Post should look forward to forming a number of new types of customer relationship.

- There exist a number of **IPC projects** dealing with various aspects of international mail: end-to-end external monitoring, publication of results (from June, 1995), office of exchange audits, inter-city business mail pilot test, market intelligence system, terminal dues, Computer Aided Post in Europe (CAPE), integrated postal and transport information management, daily quality of service monitoring and EMS monitoring. IPC stresses the importance of international standardisation concerning not only weights and dimensions but also standards for service quality measurement.

3. General attitude

The general attitude consists of a **synthesis-answer to COST 314 - European Questions**. This synthesis-answer concerns all EC services as well as all International Associations.

Transport policy

There is no separate transport policy aimed at the **(de)regulation of express services** at EU level. Express delivery services are not treated separately from other (transport or postal) services. Therefore, express services follow European policy concerning (de)regulation of transport and postal sectors. The general trend of the European single market policy is towards liberalisation. This trend is reflected in both transport and postal services policies.

As far as plans for **privatisation of state-owned/public express services** are concerned, the EC is neutral. The subsidiarity principle applies in this case as privatisation of state owned companies is a competency of each national government. Nevertheless, the EC is concerned for the proper application of Community competition and other rules during the privatisation procedure used by the Member State.

It is true that in all Member States, **the national postal organisation has a monopoly in the provision of certain services**, which are not the same in all Member States. Discussions opened by Green Paper on postal services led Member States to re-consider their policy on this issue, and there exist a number of plans for limiting those state monopolies. Even though little change has been recorded up to now, there exists a clear general trend for less state monopolies in Northern countries than in Southern countries.

Not only national governments but also the EC are concerned about **working conditions, traffic safety, environmental issues**, etc. This preoccupation concerns all sectors including express delivery services. Measures taken at a national and EU level on those issues have a direct impact on the execution of express delivery services. These measures have been presented in detail in the related Sections of this report (Chapter 2). Many non-governmental organisations (unions, consumers, ecologists, etc.) at national and international level believe that there is need for special attention to a number of issues concerning the express delivery services industry.

Express carriers associations are in favour of deregulation of express services, the limitation of state monopolies and the separation of regulatory and operational aspects of state postal organisations. They consider that very little has been done up to now and a number of more liberal changes have to come at a national and international level.

Competition

There are no EC provisions for **entry barriers, for a foreign company,** to the national market for express services. There exist single market rules for air transport (third package towards liberalisation) concerning only European air carriers, which can be considered as an entry barrier. But this limitation does not affect non-European integrators' operations.

There exists **cross-subsidisation within express and other transport markets** in some cases in the various Member States. According to the EC's position, cross-subsidisation is incompatible with fair competition, and EU-level legislation should prevent such phenomena. The problem is that cross-subsidisation is a complex phenomenon which is difficult to trace and control.

Express carriers are organised at a European level mainly in two organisations, the European Express Organisation and the Association of European Express Carriers. The majority of express carriers carrying out intra-Community services are members of these two organisations.

As far as **express services suppliers selling their services outside Europe** are concerned, no special EC policy exists. The problems of these operations are more practical (need for world-wide network) than legislative (local subsidiary companies are always a solution).

There exist **signs of concentration of express services industry** not only in some EU Member States but also at EU level. For both cases (national, European level), the reason is the industry's special profile (need for wide networks) which generates concentrations, and not any market related disposals. The EC is limited to verifying that competition rules are not violated by these concentration phenomena. No particular violation of that kind has been recorded up to now.

Partnerships between regional/national companies and foreign companies exist all over Europe in all economic sectors, and it is the EC's policy to promote such intra-Community partnerships in general. At the same time, the EC is responsible for the proper application of competition rules in these international partnerships and intervenes when necessary. GD-net and Ducros-DHL-Elan cases treated by DG competition were two examples of EC control of competition rules application.

Environment, energy, safety

There is growing attention in national and EU level policy towards the **external effects of transport** in general. Express services as part of the transport sector are concerned by this new approach for sustainable mobility. Limited restrictions exist up to today at EU level, but it is not excluded that future European environmental standards will play a critical role in the development of transport and express services.

The **environmental impact of transport services is the subject of many studies** and research programmes of the EC. Not only environmental impacts of transport but also possible cleaner transport methods are studied, as environmental issues are becoming priority in many EU policies. Increasing attention is paid in particular to research and other actions related to transport of goods in the city centres (COST 321, etc.) which is considered as a critical bottle-neck of the express delivery system. It is noted that, as the express services sector is not treated separately from the transport sector, there are no studies concerning especially the environmental impact of express delivery services.

Night-time use of airports is a purely national matter which is treated at a local level. The EC has no competency in this field. There are no European standards or directives for night-time use of airports.

As far as **energy and transport safety** issues related to express services are concerned, no specific problems exist other than those of transport in general. Express transport by air is considered safe, as cargo transport by air is not a target for terrorists, whose target are passenger flights. A point of concern for express operators is the different standards of dangerous goods transport in each transport mode (road, air); international level standardisation procedures will provide a solution in the future. Research for better exploitation of aeroplane fleet and new hybridic technologies for vans, held at both national and European level, can possibly lead to improvements in energy consumption in transport and express services.

Location of facilities

The most important **hubs of express carriers**, in Europe, are Brussels, Köln and Maastricht. The choice of hub is based on geographical, volume and other criteria of each express operator. External effects, international co-ordination as well as availability of different modes are also factors which impact on the choice of express services hubs, networks and facilities in general. Facilities from customs authorities also play an important role in the selection of express services hubs.

The **EC has no competency for the location of express operators' hubs**. Furthermore, the EC has no policy of granting airport infrastructure for express services. The trans-European networks' provisions for airport infrastructure, as well as regional funds for periphery EU countries concern development of airports in general and not express services in particular.

Regional planning and development

Availability and conditions of express delivery service in all areas in each country do not enter in EC's competencies. Network planning and development are strategic choices belonging to express operators. Express operators offering the same level of price and delivery time for all areas in a country are a rare exception.

Nevertheless, similar questions concerning **postal services** are treated by the EC. The guarantee for postal service in every area of the EU is a primary concern of EC policy for postal services. There is an agreement by all parts that the guarantee of a basic service in all EU areas should benefit from state subsidies when it is not economically viable.

Infrastructure

The most important **infrastructure problem** that express delivery services face all over Europe is urban congestion. But urban traffic issues are a purely local competency and the EC is not at all involved. Another infrastructure problem is handling operations in airports which is also the competency of local authorities.

Multimodality is a principle which is strongly supported by the EC. It is noted that the EC's position concern mainly road traffic being switched to rail traffic.

Furthermore, the EC proposal for the trans-European networks on transport stresses the importance of **interoperability** between transport modes' networks. The development of the trans-European networks will support both multimodality and interoperability principles, and express transport can benefit from this intermodal approach.

As far as **telecommunications infrastructure** is concerned, it is not considered as an important problem for express operators, as they use their own systems and networks without depending on public telecommunications infrastructure. Furthermore, the interconnection between private and public networks is not considered as a serious problem as there exist several interface translation solutions. The EC, on the other hand, considers European information society and trans-European networks of telecommunications as priorities from which all economic sectors (express services included) could benefit a lot.

Technology

As far as **technology developments** are concerned, the EC has several programmes in various technological fields and gives special attention to research and development in the fields of transport, telematics, information technology and telecommunications. There is no EC R&D project specifically concerning express delivery services but many projects concern issues that can be directly applied to express services (e.g. DRIVE telematics applications for vehicles, TEDIS electronic data interchange in the express transport chain, etc.)

It is noted that **technology issues can create strategic competitive advantage** for an express operator. Technological issues (information systems, telecommunication networks, etc.) are very often a key priority in the process of strategy definition of an express operator. The most appropriate technological choices and related investment lead directly to competitive advantage.

Standardisation is a key technology priority for the EC. Standardisation concerning postal sector weights and dimensions as well as service quality measurement are priority for EC postal services unit. Very often standardisation takes place outside EU, in the United Nations (CEN), with the active participation of the EC. Every operator in the express sector has a lot to benefit from standardisation. It is also noted that during the standardisation procedure, the one who first adopts the new standards gains a competitive advantage over its competitors. Therefore, the standardisation procedure is a strategic issue for competition in the express delivery services sector.

Standardised ways of measuring level of performance and service quality in both express and postal sector do not exist yet. All operators in these sectors use their own techniques. Standardisation of ways to measure performance and service quality will not only be beneficial for all operators but also for the sector as a whole. The existence of objective standards will also support regulation policy in the postal services sector.

Standardisation concerning interoperability of networks is also included in the proposal for the trans-European networks on transport. Even though the actual situation is considered as rather poor, express delivery services have a lot to benefit from future perspectives opened by trans-European networks.

Opening-up of Central Europe

Express delivery services present an important growth in the **countries of Central and Eastern Europe**, following rapid economic growth in these countries. The most important problems that express operators face are those related to customs procedures and market techniques applied in these countries. Substantial investment will help to overcome these problems faster and achieve high levels of service quality.

The **EC** in the framework of its policy of aid to those countries (PHARE programme) has launched a number of postal sector related projects. These projects will contribute EU experience to the Central and Eastern European new markets. Furthermore, the trans-European networks on transport foresee links (road, rail) with these countries which could also be beneficial for express and postal services.

Social aspects

Working conditions in the express transport industry are similar to those in the traditional transport industry. There are no unions and related initiatives specifically concerning the express delivery sector. Postal, Telegraph and Telephone International is the union of postal sector which participates in a number of postal services related matters. Working conditions in the postal sector are studied at EU level. Furthermore, training of workers in the transport sector is studied at EU level.

EC's legislation and policy in the field of employment makes no special distinction for employees in the express services industry. It is noted that the postal sector-related dialogue at EU level has not yet started as there is no appropriate framework for such dialogue. The creation of a Parity Committee on Postal Services has been proposed and it may be operational soon.

Statistical information

There are no **statistics** concerning express delivery services as EC goods transport statistics do not make the distinction between normal and express consignments. However, the EC participates in international initiatives for the establishment of a statistics category concerning express delivery services, which are not expected to provide concrete results in the near future.

The **EC** for its statistical needs uses data from various external sources, such as the national postal administrations and the UPU statistics (only postal services statistics) or the operators and their federations (partially complete and very often not comparable statistics). Even though the need for reliable statistics on express delivery services is growing, no initiative allowing future access to such reliable data is under preparation.

General conclusions

At the end of this international comparative examination of the many aspects of the development of express delivery services in Europe, some main points emerge.

1. Economic trends

Despite a certain slowdown, **growth** in the express deliveries market remains significantly higher that in other segments of the freight market. Express deliveries in fact reflect the **underlying trends in the organisation of production and distribution**, characterised by shorter response times to quantitative and qualitative fluctuations in demand, reduced stocks and the consequent transportation of more smaller lots more frequently, with shorter delivery times.

The express deliveries market is a professional one for contacts between businesses, notably for distribution consignments sent to small and medium-sized firms, in all areas of business. Goods sent in this way generally have a high specific value, but also include all the documents and spare parts whose economic value far exceeds the intrinsic value of the goods transported.

Express deliveries, defined in a relative and evolving way as "faster than normal delivery services", are offered by various types of suppliers. In particular, there are multinational **"integrators"** of American or Australian origin but operating in several continents, notably Europe, and **European operators**. The latter have most often developed on a national or even regional basis and, while the largest among them tend to be organised on a European scale, they are not all at the same stage of development, some being long-standing, others recent arrivals. The European operators include traditional road carriers broadening their product range, some international haulage contractors, railway companies and their road subsidiaries, airlines, and not forgetting postal companies and their specialist departments. Some are still technically competent for one mode of transport only, and are trying to offer an integrated end-to-end service, while others are network operators, mobilising a variety of transport and information techniques as required.

The operators segment their market and differentiate the products they offer according to many criteria, such as delivery time, lot size and type of goods carried, their ability to offer logistical services in addition to pure transport services, the geographical coverage of their network, the diversification or specialisation of their product range, etc. To satisfy growing international demand, and despite the fact that all the national markets still account for the lion's share of the market in Europe, it is essential for each major firm to set up a **European or even worldwide network**. This may take place with its own means (according to internal or external growth) or by forming alliances with other operators (under partnership arrangements which may be integrated, hierarchical and stable to varying degrees).

The technical options are an important element of the vitality of the field, whether they relate to judicious use of the various modes of transport in the right combination (in contrast to the American market which is dominated by air transport), mechanised and automated **sorting** and handling, or **computer systems** allowing both the physical tracking of goods along their route and the commercial management of the information source.

Competition between operators is hotting up within the express delivery market and with other types of transport, notably "normal" and "fast" delivery services. This competition is growing because of both the improvement in "normal" delivery services offered, moving up-market to improve their competitiveness, and the practices of shippers, now able to obtain much lower rates than when express services began.

The express deliveries market has entered a mature phase, competition on **prices** has stepped up, even if some operators are trying to diversify and broaden their products in the direction of logistics services. Competitors are tending to broaden their activity by entering segments previously controlled by other specialists, accepting low profit margins (if not losses) today to win market share and support heavy investments, in the hope of future gains.

The market and the sector are therefore far from being stable. We have recently seen the spectacular withdrawal from the European internal market of the world leader, Federal Express, and large-scale joint ventures such as that allying TNT to five major European and Canadian post offices. We can expect other groupings and developments in the coming years.

2. Political issues

A recent and competitive business, excluded from the start from the postal monopoly, express delivery services nevertheless raise complex political issues.

European national and Community **regulations** are still characterised by the traditional distinction between modes. Express deliveries are technically and "culturally" largely intermodal, and so are not covered by a particular policy. They are governed by the general regulatory framework and their managers must take account of the relevant developments.

The issue of **fair competition** with postal undertakings is often raised: but do resources generated under the protected monopoly enable the public service undertakings to subsidise their competitive activities? Transparent accounting and prices will help to solve this problem.

The geographical location of express delivery installations depends on the availability of infrastructures, their situation in relation to the market and the rules governing access to them, taking **environmental constraints** into account. Restrictions on night flights could for example influence the choice of airports by the major operators.

Most express delivery suppliers, however, endeavour to offer a good territorial coverage of the markets they serve: express deliveries do not create serious distortions between regions, and therefore seem to be relatively neutral from the **regional planning** point of view.

The issue of **conditions of employment**, and more particularly social conditions, is particularly acute in the field of transport. Express deliveries are not exempt, notably as regards terminal delivery operations carried out by local subcontractors. The situation seems to be better in large structures. The service quality and reliability requirements do in fact justify an investment effort in staff training and skills.

The opening-up of the **central and east European countries** relies to a large extent on express deliveries. The main international specialists are setting up facilities, often in association with local operators.

Finally, the study of express deliveries, whether for scientific, professional or political purposes, suffers from a serious lack of **available information**. Lively competition leads firms to regard any commercial data as confidential. Market transparency is nevertheless one of the fundamental principles of competition theory.

3. European viewpoints

Even though, in Europe, the sum of the national markets is still substantially greater than the international market, the latter is growing faster, supported by the economic integration of the European continent and the increasing globalisation of trade. The study of express delivery services relies on a knowledge of the positions and actions of the **international operators**, political institutions or professional organisations.

The **EC** makes no distinction between express deliveries and other kinds of deliveries or transport. Express deliveries must therefore comply with the general legal and regulatory framework, whether this concerns technical standards, social regulations, respect of the environment or competition. The current debate regarding postal activities, notably the definition and provision of a **universal service**, should result in more transparent practices, including the dividing line between express deliveries and postal services.

The **Customs Cooperation Council** makes recommendations but has no power to impose them on States. It favours simplifying and harmonising procedures with a view to improving international express services.

The Postal, Telegraph and Telephone International is an international trade union federation. It recommends the introduction of a universal service, and the maintenance of a public postal sector that can provide the service at reasonable prices. Moreover, competition rules should allow the public sector to compete in the market, including the market for international traffic.

The **European Bureau of Consumers' Unions** acts on an international scale and gave a favourable reception to the Green Paper of postal services. It is concerned to safeguard consumers' interests in the current move towards liberalisation, notably by maintaining the universal service and reserved services.

Express delivery companies belong to either of two international **professional organisations**, the European Express Organisation (EEO) and the Association of European Express Carriers (AEEC). These two organisations have a common position regarding the Commission's proposals for regulating postal services, and favour broadening competition and limiting reserved services, separating the functions of regulator and operator in the public bodies, and question the advisability of a reserved service for international traffic.

The **International Post Corporation** represents twenty postal administrations throughout the world. It concerns itself mainly with technical problems linked to international postal traffic. It believes that the market requires an integrated, customer-oriented approach. It stresses the importance of standardising weights and dimensions of mail and also service quality criteria.

This debate of the major political and economic issues considerably lengthens the discussions and actions observed in the various European countries. The national public and private operators are tending to form international alliances so as to keep their preferred options open. The interplay of ideas, and also of decisions and their implementation, now takes place at both national and European level, through a complex interaction where the supranational authorities are gradually tending to gather strength.

4. Strategic issues

The study of express delivery services has thus satisfied several of the desiderata expressed when COST project 314 was launched.

It confirms, first of all, that express deliveries are still a **very active part** of the freight transport system, from the viewpoints of technical innovation, organisation of production, and a marketing approach based on services offered and also prices.

Whatever the advantages of express deliveries in their own right, their vitality has a **knock-on effect** on other segments of the transport system. The solutions devised by express deliveries are adapted and adopted by other specialists. Studying express delivery services now is to a certain extent a forward study of other specialist areas. Fragmentation of batches, shortening of delivery times, computerised monitoring of dispatches, and technical and territorial network organisation are strong trends which now go beyond express deliveries.

Furthermore, express deliveries are no longer a niche protected from the fierce **competition** of the freight market as used to be the case. Express deliveries - in their various guises - and the other types of delivery service now share markets to a certain extent, so forming a near continuum of products ranging from conventional delivery services to courier deliveries. Express deliveries and other freight services are therefore increasingly interacting more closely.

A crucial issue is the setting-up of European express delivery **networks**, able to rival the integrators. This is one of the specific conditions for the European single market to work.

The various forms of **integration** of networks set up by several partners range from a simple association, based on mutual correspondence agreements, to full mergers covering the technical and commercial aspects and control of capital. In the current trend towards competition and concentration, not all the present operators will survive in their present configurations. The cost of entry and the scale of the investments needed for a European network require a substantial volume of traffic. Taking account of the size of the national markets, one can assume that success will go to those operators who can be competitive on several **national markets** at the same time and can set up an integrated facility on a **continental if not worldwide scale**. Some European firms have the resources to make a success of such a strategy.

Finally, express deliveries is an interesting area in which to observe national and European policies specific to transport or of a more general nature. The same applies in particular to competition policy and the status of the public services. The questioning of protected monopolies, in the postal field for example, may compel them to improve their performance and prove it via published indicators: namely to be more adaptable which is one of their *raisons d'être*.

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The COST 314 action thus had no technological objective and did not apply to a strictly regulated area. Innovation arises in businesses, while economic vitality is mainly market driven. Yet, a comparative international study has enabled trends to be identified, as well as open choices laden with important implications. The members of the COST action hope that their conclusions will be of use to those responsible for economic and political decisions.

Annexe I

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Annex II

List of tables and figures

Figures

Tables

Annex III

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European Commission
COST 314 - Express Delivery Services in Europe
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Price (excluding VAT) in Luxembourg : ECU 13

From 1992 to 1995, Finland, France, Ireland, Italy, Slovenia, Spain, Sweden, Switzerland, the Netherlands and the European Commission made on analysis of the development of express delivery services in Europe. After an assessment of the situation and trends in Europe, key strategic and political issues affecting the future development of the sector has been identified. The report concludes that express delivery services represent an innovative segment of the freight market with a steady growth and that the technical advances productivity improvements and commercial initiatives in this segment are tending to spill over into other transport sectors. The report is of use for all those who wish a better knowledge of express delivery services, and those who may draw lessons for other freight transport segment.