Office of Electronic Communications | UKE

# Report on the state of the postal market in 2018

Warsaw, May 2019

The report was prepared pursuant to Article 43 (6) of the Postal Law Act of 23 November 2012[1], hereinafter referred to as the „Act" or „Postal Law", based on the information received from postal operators in accordance with Article 43 (1) and 2 of the Act.

These provisions required postal operators to submit to the President of the Office of Electronic Communications, hereinafter referred to as the „President of UKE" reports on postal activities carried out in 2018 in accordance with the specimen reporting forms the scope of which was specified in the Ordinance of the Minister of Administration and Digital Affairs[2].

In 2019, 145 postal operators submitted reports on postal activities for 2018.

This report includes revised data for the year 2017, resulting from changes in the reports on postal activities submitted by postal operators. For this reason, some of the data concerning the number of active postal operators, the volume of services, revenues and percentage shares were modified in relation to the previous Report of the President of UKE. These changes do not have a significant impact on the picture of the postal market presented in the 2018 report.

The respective parts of the document present legal status, entities operating on the postal market and the picture of developments on this market in 2018 and in the period 2016-2018 by way of comparison.

Unless otherwise specified, the figures presented in the report were expressed in millions items or PLN million. Possible variations in sums and shares result from rounding.

[1] Consolidated text: Journal of Laws of 2018, item 2188, as amended
[2] The Ordinance of the Minister of Administration and Digital Affairs on specimen forms to report on postal activities to the President of the Office of Electronic Communications (Journal of Laws of 2013, item 1489)

# 1. Introduction

The services provided in the postal market are still a significant and necessary tool for the exchange of goods and information, providing important benefits to society and the economy.

The migration of communication to electronic channels, although on the one hand almost completely replaced paper correspondence, at the same time triggered an explosion in the number of deliveries of goods ordered in e-commerce, whose development is increasingly affecting the condition of the national economies.

**2018 was the second year in a row in which an increase in the value of the entire Polish postal services market by more than twice exceeded the growth rate of the entire Polish economy.**

While in 2017 there was a 10% increase in the value of the postal market at an increase in Poland's GDP by 4.8%, in 2018 the growth of the postal market was even faster and reached the rate of 12% with the dynamics of Poland's GDP amounting to 5.1%.

In 2018, there was a giant leap in the value of the postal market, exceeding the barrier of PLN 1 billion, which increased the total value of the Polish postal market to the level of PLN 9.4 billion.

For several years, in line with the trend characterizing postal markets around the world, the main growth driver of the entire market has been the courier items segment, which is driven consistently by the e-commerce boom.

In 2018, the development rate of this segment of the postal market in Poland reached 16.7%. As a result, Poland has become one of the market growth leaders in Europe, clearly distancing the average percentage of this growth in the European Union by several percent.

In the past few years, along with the dynamic growth of the courier items market the slow decline in the volumes of traditional postal services, especially letter items, was observed as a clearly visible structural feature of the dynamics of market changes. Such changes were also typical for postal markets in developed countries, and were related with the emergence of e-substitution, which means a process of replacing hard-copy documents with electronic ones.

However, 2018 is an exception here. For the first time in several years, both the volume and total value of revenues from letter services increased, contributing to the overall increase in the value of the entire postal market, further strengthening the upward trend of the courier segment.

In contrast to the previous year, the increase in market value was accompanied by an increase in the volume of postal services this time, disrupting the trend of value growth observed for several years, while the volume of services decreased. In 2018, the total volume of postal services increased from the level of 1.87 billion in 2017 to 1.93 billion, which is an increase by 3.1% year on year.

In 2018, all segments of the postal services market showed an increase in revenues compared to the previous year, whereby the primacy of the courier segment grew stronger as the segment contributing most to the total value of revenues of operators operating in the postal services market, providing 49.2% of the total market value in 2018.

The most important role in the market in 2018 continued to be played by Poczta Polska S.A. (hereinafter “Poczta Polska”) as the designated operator. In 2018, it provided 1 573.6 million items of services (a 81.7% share in the total volume) in domestic and cross-border traffic streams, which translated into PLN 5 234,4 million in revenue (55.4% share in total revenues). In relation to the previous year, the volume of services provided by the designated operator increased by 0.6%, and the value of revenues increased by 8.8%.

In 2018, alternative operators provided 352.3 million items of services (a 18.3% share in the total volume) in domestic and foreign traffic, which translated into PLN 4 210.7 million of revenues (a 44.6% share in total revenues). In relation to the previous year, the volume of services provided by alternative operators increased by 16.0%, and the value of revenues increased by 16.5%.

**PLN 9.4 billion**

the value of the Polish postal market in 2018

Letters are still the most frequently provided service, of which 1,371.9 million items were delivered, which means an increase by 1.4% compared to 2017, and which translated into PLN 3,600.0 million of revenues (an increase by 7.9%). On the other hand, in 2018, a total of 391.7 million of courier items and traditional postal parcels were delivered (an increase by 17.1%), which generated PLN 5,086.3 million in revenues (an increase by 15.1%). 2018 was another year in which those services recorded a significant increase in revenues, despite the existence of price pressure in this market area as a result of intense competition.

In 2018, 37 new postal operators were registered. As at the end of the year, there were 292 entities in the register of operators (in 2017 – 280), of which 145 were active in the provision of postal services (in 2017 – 149).

According to the reports of operators, in total 92,184 employees were employed in the postal sector in 2018, which means an increase in relation to the previous year by 939 positions.

In 2018, postal services were provided in 22,401 postal points of contact, including 7,602 of the designated operator and 14,799 of alternative operators. In order to provide postal services, as in the previous year, automated machines for postal services, including parcel lockers, were used.

# 2.
# Characteristics of the postal services market


## 2.1.
## Legal basis for regulation of the postal services market

### 2.1.1.
### Domestic regulations

In 2018, the following legal acts provided the legal basis for the operation of the postal services market in Poland:

- Postal Law Act[3] and the implementing acts to this Act,
- Telecommunications Act[4] of 16 July 2004, hereinafter the „Telecommunications Act".

The Postal Law Act introduced a division of the postal services market by separation of its main segments: courier items, universal services, services falling within the scope of universal services and other postal services.

In 2018, the Postal Law Act was amended twice. As a result of the amendments[5], inter alia, provisions enabling the President of UKE to delete an entry from the register of postal operators were introduced in the case of:

a. failure of the postal operator to comply with the information obligation referred to in Article 43 (1) (reports on postal activities), for two consecutive years,
b. obtaining information on deletion of the postal operator from the Central Register and Information on Economic Activity or the National Court Register.

[3] The Postal Law Act implemented Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008 amending Directive 97/67/EC into the Polish legal order with regard to the full accomplishment of the internal market for Community postal services (Official Journal L 52 of 27/02/2008, p. 3, as amended) and defined the rules of the postal market after its opening to competition
[4] Consolidated text: Journal of Laws of 2018, item 1954, as amended
[5] The amendments came into force on 30 April 2018 and 25 November 2018.

## 2.1.2. European regulations

In 2018, the postal market in the European Union was regulated by three directives of the European Parliament and of the Council[6]:

- Directive 97/67/EC of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service (the so-called 1st Postal Directive)[7],
- Directive 2002/39/EC of 10 June 2002 amending Directive 97/67/EC with regard to the further opening to competition of Community postal services (the so-called 2nd Postal Directive)[8],
- Directive 2008/6/EC of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market for Community postal services (the so-called 3rd Postal Directive)[9],

On 22 May 2018 Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services entered into force[10].

This Regulation, developed as part of the Digital Single Market[11] strategy assuming an increase in the share of e-commerce in the total GDP of the Union, is aimed at promoting competition by increasing price transparency of cross-border deliveries and more effective monitoring of the postal market. The Regulation also introduced an obligation to provide information to the national regulatory authority for operators participating in the process of the delivery.

On 21 September 2018, an implementing act was published[12] in relation to the above-mentioned Regulation, specifying a form for the purposes of submitting information by operators providing parcel services.

## 2.1.3. International regulations

The legal acts of the Universal Postal Union[13] also have a significant impact on the postal services market. The Universal Postal Convention[14] is the basic document establishing common rules applicable to international postal service.

The tasks within the scope of postal activities, assigned to postal management authorities or postal administrations under international postal regulations, are performed by the designated operator. This is important in particular for the obligation to provide universal postal services because the provisions of the Universal Postal Convention in Article 3 (1) and (2) as well as in Article 12 identify a broader scope of basic (universal) services than defined in Article 45 (1) of the Postal Law Act.

[6] The directives define the legal status and scope of the functioning of independent regulatory authorities in Member States, as well as include mandatory provisions that the EU Member States should implement into their legal framework. The main objective specified in the above-mentioned provisions is to reconcile the pursuit of controlled liberalization of the postal services market and guaranteeing high quality postal services to consumers, including the provision of universal services at affordable prices, with a permanent guarantee of the provision thereof
[7] Official Journal L 15 of 21.01.1998, p. 14, as amended
[8] Official Journal L 176 of 05.07.2002, p.21
[9] Official Journal L 52 of 27.02.2008, p. 3
[10] Official Journal L 112 of 02.05.2018, pages 19-28
[11] English: Digital Single Market – DSM
[12] Official Journal L 238/65
[13] Universal Postal Union – UPU
[14] Journal of Laws of 2015, item 1522

## 2.2.
## Stakeholders of the postal services market

### 2.2.1.
### Regulatory authority

The President of the Office of Electronic Communications is the central-level authority of government administration. The scope of its competence is defined by the provisions of the Telecommunications and the Postal Law Acts.

The issues that fall within the competence of the President of the Office of Electronic Communications include regulation, control, mediation and inspiration in the field of postal and telecommunications markets.

The President of UKE cooperates with many organizations responsible for the postal market at national, European and international level. The most important international cooperation fora include: the European Commission (EC), European Regulators Group for Postal Services (ERGP), European Committee for Postal Regulation (CERP) and Universal Postal Union (UPU).

### 2.2.2.
### Postal operators

In 2018, there were 292 entities in the Register of postal operators (as of 31 December 2018). Out of the registered postal operators, the reports were submitted by Poczta Polska and 144 other postal operators.

#### The operator designated to provide universal postal services

Pursuant to the decision[15] of the President of UKE, Poczta Polska is the operator designated to provide universal services in 2016-2025.

The designated operator is obliged to provide universal services in a uniform manner in the area of the whole country under comparable circumstances.

#### The scope of postal activities carried out by the designated operator

In 2018, the subject of the postal operator's activities included in particular:

- universal postal services in domestic and cross-border traffic: unrecorded letter items, recorded letter items (including registered letter items, insured items), items for the blind, postal parcels up to 20 kg (including insured ones) and M-bags,
- services falling within the scope of universal services in domestic and cross-border traffic: letter items (including unrecorded, registered and insured ones) from bulk senders, postal parcels and others,
- courier items in domestic traffic, i.a.: Pocztex, Consignment,
- courier items in cross-border traffic, i.a.: the EMS service, parcel Ukraine+
- other postal services in domestic traffic, including: marketing mail, direct mail, non-addressed printed forms, postal orders, postal telegrams, items above 10 kg and others,
- other postal services in cross-border traffic: cross-border postal orders and others.

[15] Decision of 30 June 2015.

## Alternative postal operators

Pursuant to the Postal Law Act, postal activities constitute regulated activities within the meaning of the provisions of the Act of 6 March 2018 – Business Law[16] and requires an entry in the Register of postal operators (ROP).

In 2018, the President of UKE received:

a. 37 requests for entry in the Register of Postal Operators (ROP),
b. 12 requests for removal from the ROP,
c. 4 requests for suspension of postal activities,
d. 24 requests for change of details within the scope of the request for entry in the ROP.

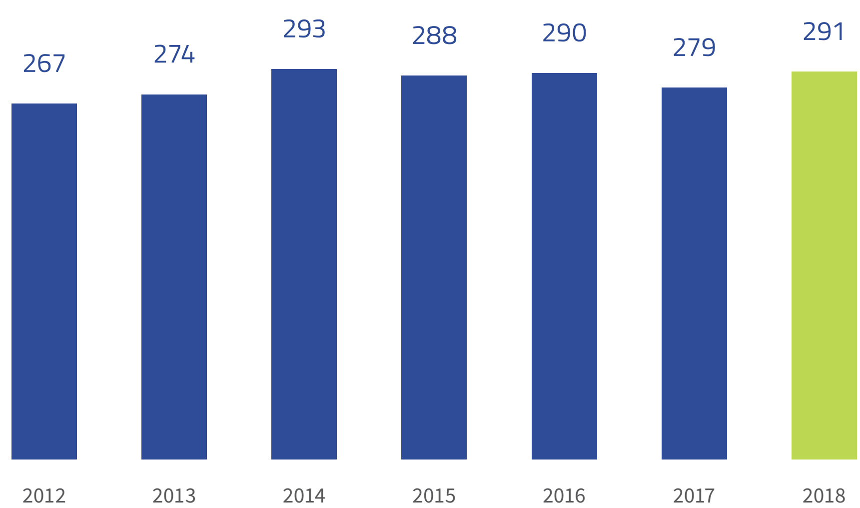
12 entities were removed from the ROP as a result of permanent cessation of postal activities (the entities had been previously removed from the Central Register and Information on Economic Activity or the National Court Register).

In 2012-2014, there was an increase in the number of alternative operators. In the past years, the number of registered entities has been at a similar level.

[16] Journal of Laws of 2018, item 646

Chart 1

### Number of registered alternative postal operators in 2012 – 2018 (as of 31 December)




Source: UKE based on the ROP

Not all of the registered operators undertake postal activities. The largest number of operating entities was recorded in the Masovia (68) region. In other regions, the number of operating entities did not exceed 12.

Table 1

## Number of registered and operating alternative postal operators in individual regions in 2018

| Region | Number of operators registered* | Number of operators active | Degree of use of entries |
|---|---|---|---|
| Lower Silesia | 23 | 8 | 34.8% |
| Kuyavia-Pomerania | 7 | 2 | 28.6% |
| Lublin | 9 | 2 | 22.2% |
| Lubusz | 8 | 3 | 37.5% |
| Łódź | 17 | 7 | 41.2% |
| Lesser Poland | 24 | 11 | 45.8% |
| Masovia | 123 | 68 | 55.3% |
| Opole | 4 | 3 | 75.0% |
| Subcarpathia | 20 | 7 | 35.0% |
| Podlaskie | 6 | 2 | 33.3% |
| Pomerania | 21 | 5 | 23.8% |
| Silesia | 27 | 12 | 44.4% |
| Świętokrzyskie | 4 | 2 | 50.0% |
| Varmia and Masuria | 1 | 1 | 100.0% |
| Greater Poland | 16 | 7 | 43.8% |
| West Pomerania | 6 | 4 | 66.7% |
| **TOTAL** | **316** | **144** | **45.6%** |

Source: UKE

* the number of registered operators also included 25 operators, who were removed from the Register in 2018 1 entity was removed from the Register in 2018 in accordance with a request dated to 2017)

Alternative postal operators conduct business activities in the postal sector in various organisational and legal forms with a significant share of activities undertaken by natural persons. In 2018, the organizational and legal forms of 144 operating alternative postal operators were as follows:

- business activities of a sole-trader – 62 operators,
- limited liability company – 61 operators,
- joint-stock company – 5 operators,
- other (civil partnership, cooperative, foundation) – 16 operators.

In contrast to Poczta Polska which has the obligation to offer its services in domestic and cross border traffic, alternative postal operators can provide their services domestically, in cross-border traffic or both domestically and in cross-border traffic, or only locally (within a region, district, one locality or even part of it). The table below presents the areas of activity of alternative postal operators in 2016 – 2018.

Table 2

## Areas of alternative postal operators' activities in 2016 – 2018

**Number of alternative postal operators**

| Area of activities | 2016 | 2017 | 2018 |
|---|---|---|---|
| Domestic | 37 | 33 | 36 |
| Domestic and cross-border | 45 | 39 | 44 |
| Only cross-border | 6 | 2 | 8 |
| Locally, including: | 68 | 68 | 56 |
| in the region | 28 | 30 | 21 |
| in the city, district or other area | 40 | 38 | 35 |

Source: UKE

## The scope of postal activities conducted by alternative operators

In 2018, alternative postal operators were active in three segments of the postal services market, including in the area of services falling within the scope of universal services, courier items and other postal services.

The number of alternative postal operators active in different segments of the postal market is presented in the following summary.

Table 3

### Segments of alternative operators' activities in 2016 – 2018

| Segments of the postal services market (2018) | | | Number of alternative postal operators | | |
|---|---|---|---|---|---|
| Courier items | Services falling within the scope of universal services | Other postal services | 2016 | 2017 | 2018 |
| ■ | | | 82 | 80 | 80 |
| | ■ | | 37 | 37 | 35 |
| | | ■ | 11 | 12 | 13 |
| ■ | ■ | | 7 | 5 | 6 |
| | ■ | ■ | 7 | 5 | 3 |
| ■ | | ■ | 2 | 3 | 4 |
| ■ | ■ | ■ | 10 | 6 | 3 |
| **93** | **47** | **23** | **156** | **148** | **144** |

Source: UKE

The analysis of alternative postal operators in terms of their performance indicates that 128 of them provided services only in one segment in 2018 (80 postal operators reported that their postal activities were carried out only in the segment of courier items, 35 – only in the segment of services falling within the scope of universal services). Three operators were active in all three segments of the postal market.

# 3.
# Analysis of the postal services market in Poland in 2018

## 3.1. Value of the Polish postal services market in 2018

At the end of 2018, the total value of the Polish postal services market amounted to PLN 9,445.1 million. This means that in relation to the preceding year, the total amount of revenues from postal services of the operators active in the Polish market increased by PLN 1,020.8 million, which translates into a 12.1% annual growth rate. 2018 was the second consecutive year in which the growth rate of the postal market value more than doubled the GDP growth rate of the entire Polish economy.

**12.1%**
annual growth rate

Over the course of 2018, operators recorded an increase in revenues in all major product categories. The greatest impact on this record increase in market value was due to the increase in revenues from courier and letter items.

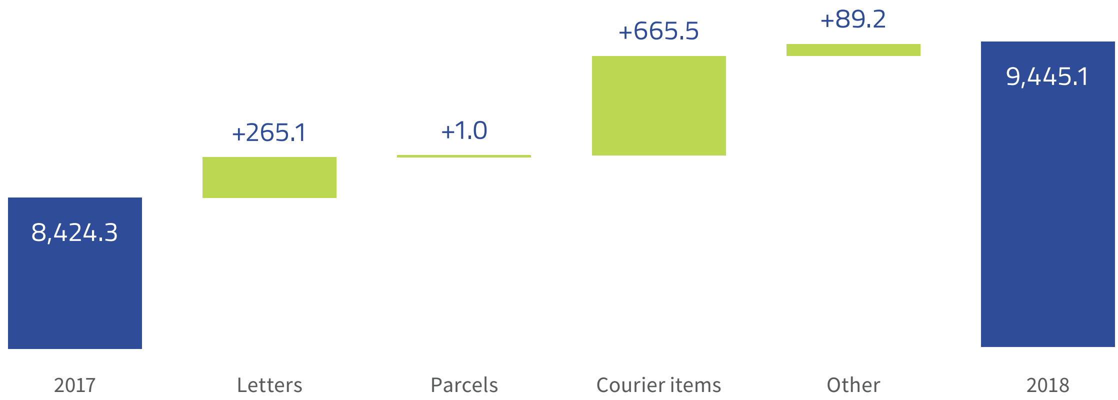
The most important growth factor was the extremely dynamic increase in revenues from courier services driven by invariably growing volumes of items containing goods purchased by consumers in e-commerce transactions.

The second important factor in the growth of the postal market value in 2018 was also the increase in revenues from letter services, resulting from an unexpected, in the light of the downward trend observed for several years, increase in the number of those items. It should be emphasized that the increase in the volume of letters took place in the light of a higher level of fees, which continued in 2018, after introducing increases in the first half of 2017.

The chart below presents the impact of changes in revenues from individual postal services on the change in the total value of the postal market between 2017 and 2018.

Chart 2

## Key indicators of changes in the postal service market value in 2018 (PLN million)




Source: UKE

The table below shows the value, share and the dynamics of revenues generated by operators in 2016-2018, broken down by the main types of postal services.

Table 4

## Revenues from specific postal services in 2016 – 2018

| | Revenues (PLN million) | | | | | | Change% | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | % | 2017 | % | 2018 | % | 2017/16 | 2018/17 |
| Letter items | 2,992.9 | 39.1% | 3,334.9 | 39.6% | 3,600.0 | 38.1% | 11.4% | 7.9% |
| Postal parcels | 431.3 | 5.6% | 441.8 | 5.2% | 442.8 | 4.7% | 2.4% | 0.2% |
| Courier items | 3,585.2 | 46.8% | 3,978.0 | 47.2% | 4,643.5 | 49.2% | 11.0% | 16.7% |
| Other services | 644.8 | 8.4% | 669.6 | 7.9% | 758.8 | 8.0% | 3.8% | 13.3% |
| **TOTAL** | **7,654.2** | **100.0%** | **8,424.3** | **100.0%** | **9,445.1** | **100.0%** | **10.1%** | **12.1%** |

Source: UKE

In 2018, the primacy of courier items continued as the strongest service contributing to the overall value of the Polish postal market. Almost every second zloty earned by operators active in the Polish postal market came from the provision of courier services. This situation is consistent with general market trends and results directly from changes in the preferences of consumers of postal services. Despite higher prices, courier services are preferred due to a more convenient form of sending and delivery, the possibility of tracking the delivery route and usually shorter delivery times than in the case of traditional postal services.

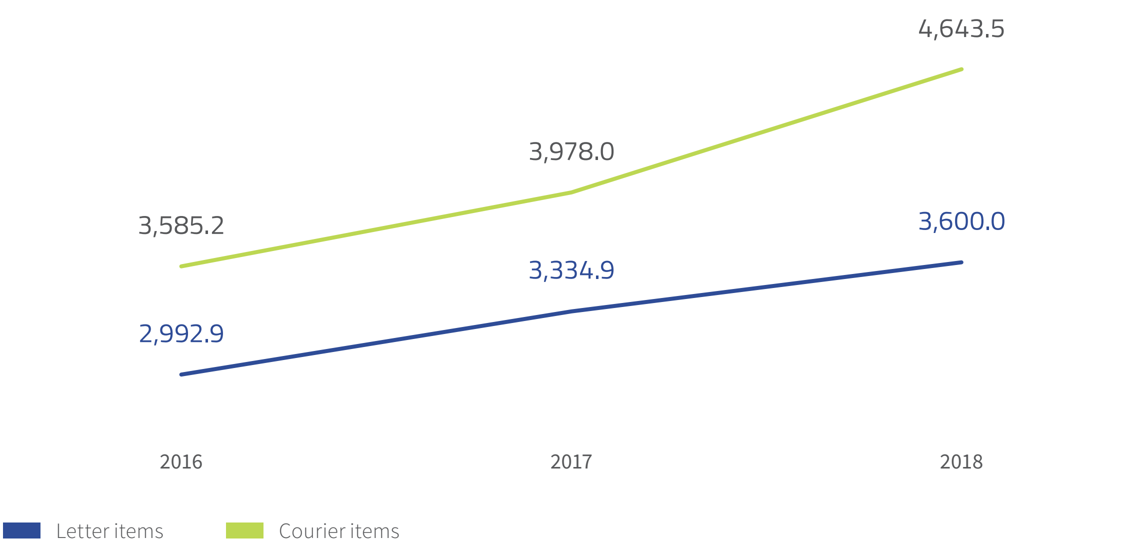
Analysing the mutual relation of revenue trends from the two most important service groups in the market, we can observe a situation in which the trends have been almost parallel since 2016, as their growth dynamics is positive, while the increase in revenues from letter services in 2017 was caused by the increase in prices for universal services, in 2018 this increase was due to a larger number of letter services.

The vast majority of the value of the Polish postal market results from the revenues generated by operators in the domestic market, however for several years the share of cross-border traffic had consistently stayed at the level of approximately 20%. This is due to the ever-increasing volumes of cross-border e-commerce shipments, both from European and non-European destinations (China, USA).

The table below shows the value, shares and dynamics of revenues generated by postal operators, broken down by domestic and foreign traffic in 2016-2018.

Chart 3

## Trends in the revenues from letter and courier items in 2016 – 2018




Source: UKE

Table 5

## Total revenues from postal services by domestic and cross-border traffic in 2016 – 2018

| | Revenues (PLN million) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | % | 2017 | % | 2018 | % | 2017/16 | 2018/17 |
| Domestic | 6,049.6 | 79.0% | 6,710.9 | 79.7% | 7,597.9 | 80.4% | 10.9% | 13.2% |
| Cross-border | 1,604.6 | 21.0% | 1,713.5 | 20.3% | 1,847.2 | 19.6% | 6.8% | 7.8% |
| **TOTAL** | **7,654.2** | **100.0%** | **8,424.3** | **100.0%** | **9,445.1** | **100.0%** | **10.1%** | **12.1%** |

Source: UKE

Analysing the value of the Polish postal services market in 2018 from the point of view of service segments defined by the provisions of the Postal Law Act, it should be noted that the share of courier items further retained primacy in relative terms, thanks to its strongest growth dynamics, even despite the increase in revenues from letter services translating into the increase in revenues from universal services.

The table below shows the value, shares and dynamics of revenues generated by postal operators, broken down by individual segments of the postal market in 2016-2018.

Table 6

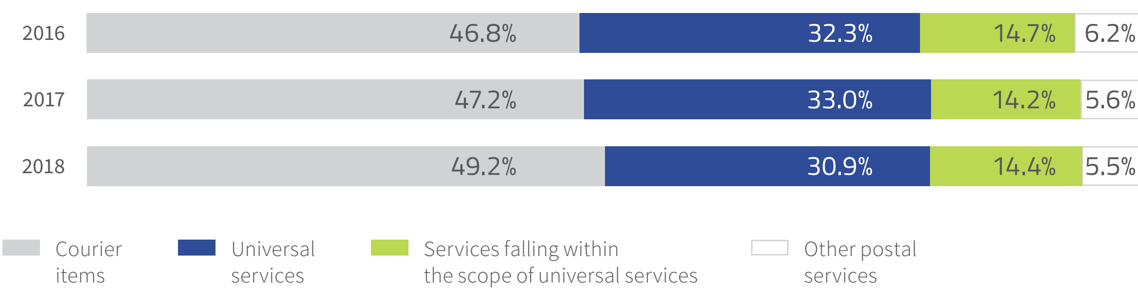
## Revenues from postal services, by each market segment of the postal market in 2016-2018

| | Revenues (PLN million) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | % | 2017 | % | 2018 | % | 2017/16 | 2018/17 |
| Courier items | 3,585.2 | 46.8% | 3,978.0 | 47.2% | 4,643.5 | 49.2% | 11.0% | 16.7% |
| Universal services | 2,470.9 | 32.3% | 2,778.7 | 33.0% | 2,920.4 | 30.9% | 12.5% | 5.1% |
| Services falling within the scope of universal services | 1,123.5 | 14.7% | 1,195.9 | 14.2% | 1,361.4 | 14.4% | 6.4% | 13.8% |
| Other postal services | 474.6 | 6.2% | 471.8 | 5.6% | 519.8 | 5.5% | -0.6% | 10.2% |
| **TOTAL** | **7,654.2** | **100.0%** | **8,424.3** | **100.0%** | **9,445.1** | **100.0%** | **10.1%** | **12.1%** |

Source: UKE

Chart 4

## Value of the postal services market, by postal market segments in 2016 – 2018 in relative terms




Source: UKE

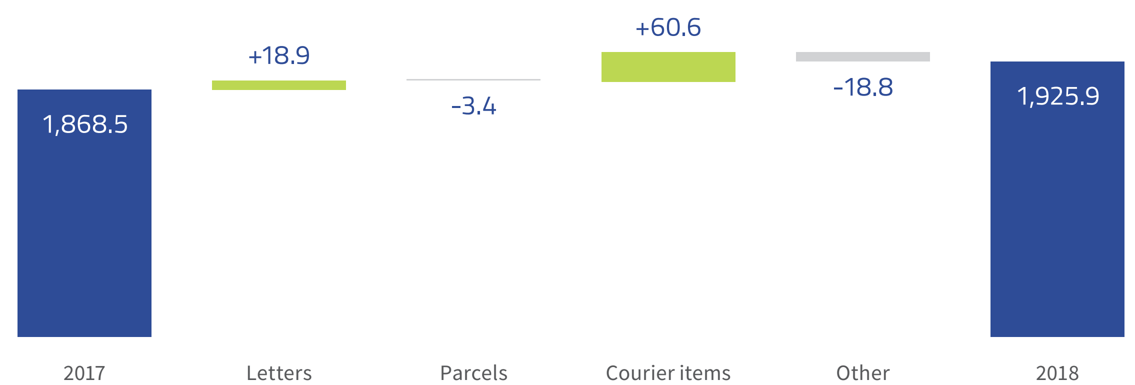
## 3.2. Volumes of postal services in 2018

In 2018, postal operators provided a total of 1,925.9 million services, which compared to 2017 means an increase of 57.4 million services, i.e. by 3.1%. The global increase in the volume of postal services occurred for the first time in three years. In previous years, although the increase in the volume of courier items has offset the decrease in volumes of letter items, the overall downward trend in the volume of postal services was noticed.

The chart below shows the impact of changes in the volume of individual postal services on the change of total volume of services between 2017 and 2018.

Chart 5

## Key indicators of changes in the postal service market volume in 2018 (million)




Source: UKE

The table below shows the value, shares and dynamics of the service volumes generated by postal operators in 2016-2018.

The charts below illustrate changes in the volumes of basic types of items: letter items, postal parcels and courier items.

Table 7

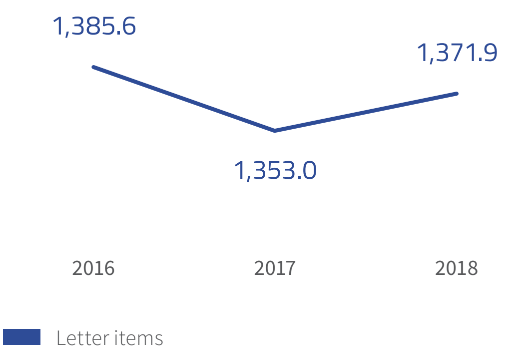
## Volumes of specific postal services in 2016 – 2018

| | Volume (million items) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | **%** | **2017** | **%** | **2018** | **%** | **2017/16** | **2018/17** |
| Letter items | 1,385.6 | 73.0% | 1,353.0 | 72.4% | 1,371.9 | 71.2% | -2.4% | 1.4% |
| Parcels | 25.3 | 1.3% | 26.4 | 1.4% | 23.0 | 1.2% | 4.6% | -12.8% |
| Courier items | 264.3 | 13.9% | 308.1 | 16.5% | 368.7 | 19.1% | 16.6% | 19.7% |
| Other services | 224.1 | 11.8% | 181.0 | 9.7% | 162.2 | 8.4% | -19.3% | -10.4% |
| **TOTAL** | **1,899.3** | **100.0%** | **1,868.5** | **100.0%** | **1,925.9** | **100.0%** | **-1.6%** | **3.1%** |

Source: UKE

Chart 6

## Changes in the total volume of letter items in 2016-2018 (million)




Source: UKE

In 2018, the downward trend in the volume of letter items stopped and the year ended with an increase in volume. Clear signs for the downward trend of letter items to slow down were noticeable as early as in 2017, when the rate of decline in the volume of this service proved slower compared to 2016, especially given the circumstances that in the first half of 2017 Poczta Polska increased prices for universal services.

Business and institutional bulk mailers, who continue to generate significant amounts of letter items, constitute an important factor that impacts the dynamics of volume for this service.

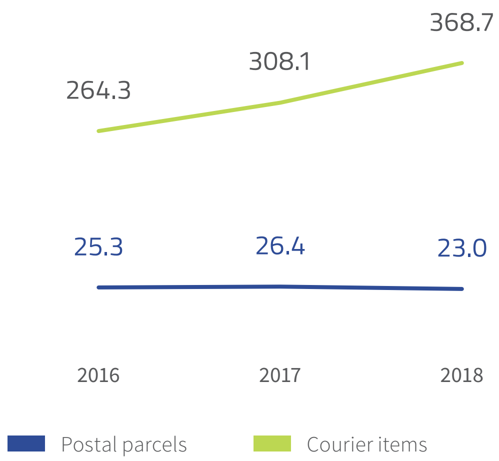
The further possible factors that constrict the downward trend for letter items in Poland, are as follows:

- strong economic growth,
- no breakthrough in the development of e-administration and low level of digital competence among adult population in Poland,
- migration of small-size e-commerce to letter stream and
- potential cultural reasons – as in Germany (where the drop in the volume of letters is one of the lowest in Europe) – it cannot be excluded that there is a preference among consumers to send and receive correspondence in hard-copy form, especially in contacts with public administration.

In 2018, the volume of courier items increased year-on-year by 19.7%. This increase continued a strong trend from previous years, increasing the dynamics as compared to the previous year (16.6%).

Chart 7

### Changes in the total volume of courier items and postal parcels in 2016-2018 (million)




Source: UKE

**In 2018, the volume of courier items increased year-on-year by 19.7%**

For another year in a row, there was a stabilization of the volume of traditional postal parcels, although in 2018 the volume of postal parcels recorded a slight decrease, compared to the previous year.

In 2018, there was also a decrease in the number of other postal services, with the rate of decline being almost 50% lower than in the previous year. The decrease in the volume of other postal services resulted mainly from the decline in the number of advertising items, caused by customers switching to electronic forms of marketing communication.

The so-called postage ratio is a relative measure of the volume of postal services per one inhabitant of the country. This ratio in 2018 amounted to 50.1 postal services per 1 inhabitant per year, and for the first time since 2012 increased in the wake of the increase in the global volume of postal services and the slightly decreasing population of Poland.

Table 8

## Number of postal services per 1 resident of Poland in 2016 – 2018

Years

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| **Volume of postal services (million items)** | 1,899.3 | 1,868.1 | 1,925.9 |
| **Number of postal services per 1 resident** | 49.4 | 48.6 | 50.1 |

Source: UKE (population at the end of each year according to the Central Statistical Office)

## 3.3. Courier items

For the last few years the courier parcel segment had been gradually increasing its value at a rate of several hundred million PLN annually. It was no different in 2018, when this market segment increased its revenues by a record amount of PLN 665,5 million.

Courier items, constituting 19.1% of the total volume of postal services in the market in 2018, accounted for as much as 49.2% of its value. This is mainly due to the fact that, as premium postal services, they are characterized by a higher price level.

This dynamic growth of the courier service sector results directly from the strongly increasing volume of e-commerce shipments driven by the mass scale of e-commerce transactions.

The number of Polish consumers buying on-line in line with the global trend has been systematically growing for several years, and according to the "E-commerce in Poland 2017. Gemius for e-Commerce Poland" report, already more than half of Polish Internet users regularly shop on-line. However, it must be noted that this result is much lower than in the European leaders in this area (e.g. Holland – 82%, Germany – 77%), which indicates a great potential for development of this form of trade.

In 2018, the value of the e-commerce market in Poland was estimated at approximately PLN 45 – 50 billion. It is widely believed that the potential for further growth of the Polish e-commerce market is much greater.
One should take into account the relatively low share of Polish consumers participating e.g. in cross-border on-line trade (only approximately 24% of Internet users in 2018), as well as the general level of expenditure of Polish consumers on e-commerce, which is much lower than in highly-developed

**49,2%** share of the courier items in the value of the postal market

European countries, even considering the differences in the general level of affluence between Poland and such countries.

The e-commerce channel is also particularly favoured by entrepreneurs, especially new ones, entering the retail market and appreciating the effectiveness of this sales channel. Organizing sales on-line is much less expensive than investing in and managing a traditional physical network of points of sale.

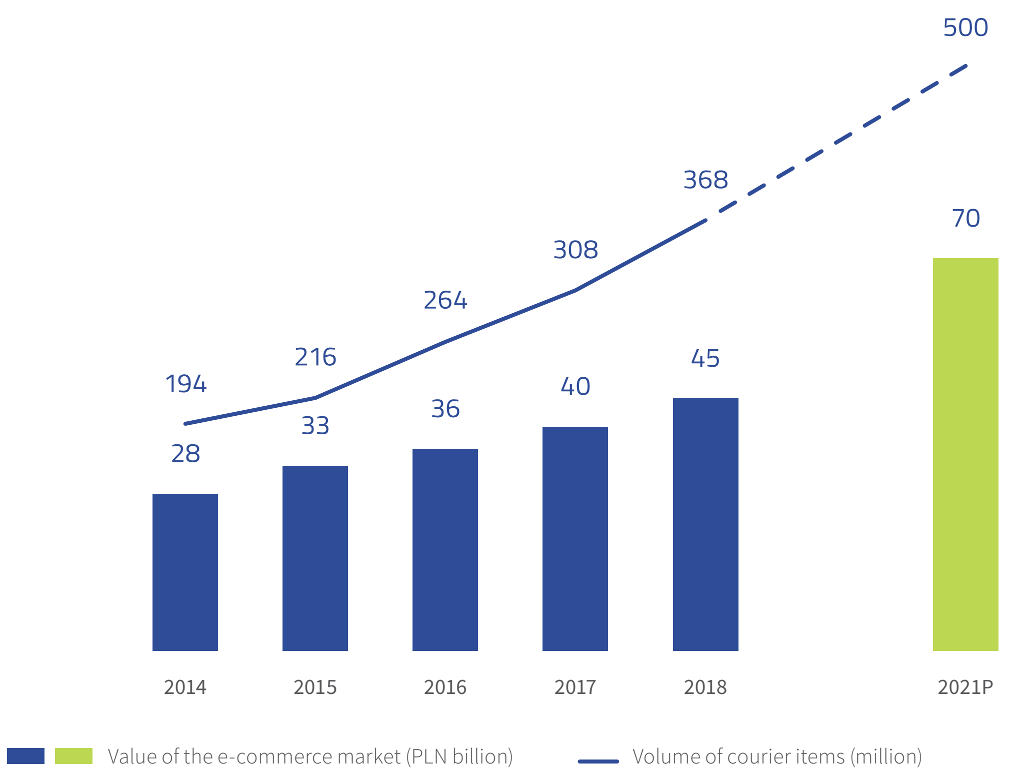
The logistics ensuring appropriate delivery of items to recipients and a friendly return system is essential for competition and success of companies in the e-commerce industry. The cost, time, form and reliability of both delivery and return determine the level of customer satisfaction and trust, which directly translates into a tendency to make further purchases.

The chart below shows the relationship between the total volume of courier items against the background of an increase in the estimated e-commerce market value in Poland. This relationship proves to be almost unambiguously linear, which shows the growth potential of this segment.

If the forecast concerning the growth of the value of the Polish e-commerce market is confirmed, (estimated by some analysts at even PLN 70 billion by 2021), the volume of courier items in the next few years can increase to the level of approximately 0.5 billion items.

Chart 8

### Volume of courier items and the value of the e-commerce market in Poland




Source: UKE

In addition to the factors related to the increase in the number of Polish e-commerce consumer transactions, both in domestic and cross-border traffic, the courier segment in Poland also has attractive prospects for development resulting from the excellent geographical location of Poland, as well as still relatively lower investment costs and plans for development of the transport networks.

In 2018, 94 postal operators, including Poczta Polska, operated in the courier segment. In terms of the number of operators active in this area, it is the largest segment of the postal services market and consequently the area where competition developed most.

Although in recent years, courier companies on the one hand benefited from the dynamically growing demand for their services, on the other hand, the decline in unemployment and the related pressure on wage growth have resulted in a significant increase in the costs of running a courier business in Poland. Even with a large scale of operations and very high operational efficiency, it is difficult to achieve high profitability.

The constant competitive struggle of the operators for customers, volumes and revenue streams caused price pressure, which in recent years was reflected in the prevalence of the growth in the volume of shipments over the dynamics of revenue growth and which translated into a consistent decrease in the average revenue per courier item.

The table below shows average revenue per courier item in 2016 – 2018.

Table 9

## Average revenue per courier item in 2016 – 2018 (PLN net for 1 item)

| | Years | | |
|---|---|---|---|
| | **2016** | **2017** | **2018** |
| **Average revenue per 1 courier item** | 13.56 | 12.91 | 12.59 |

Source: UKE

The analysis of data shows that ten (10) largest, both in terms of volume and revenues, operators providing services in the courier items segment had a 95.7% share in the total volume and a 92.2% share in the total revenues in this segment of the postal market in 2018. The threshold to qualify for the group of 10 largest courier operators in 2018 was the revenue in the amount of approximately PLN 100 million.

Table 10

## Major postal operators in the segment of courier items in 2018

| Volume | | | | Revenues | | | |
|---|---|---|---|---|---|---|---|
| No. | Name of operator | Domestic traffic | Cross-border traffic | No. | Name of operator | Domestic traffic | Cross-border traffic |
| 1 | DPD Polska sp. z o.o. | | | 1 | DPD Polska sp. z o.o. | | |
| 2 | InPost Paczkomaty sp. z o.o. | | | 2 | UPS Polska sp. z o.o. | | |
| 3 | Poczta Polska S.A. | | | 3 | GLS Poland sp. z o.o. | | |
| 4 | GLS Poland sp. z o.o. | | | 4 | Poczta Polska S.A. | | |
| 5 | UPS Polska sp. z o.o. | | | 5 | InPost Paczkomaty sp. z o.o. | | |
| 6 | InPost Express sp. z o.o. | | | 6 | FedEx Express Polska sp. z o.o. | | |
| 7 | FedEx Express Polska sp. z o.o. | | | 7 | InPost Express sp. z o.o. | | |
| 8 | Geis Parcel PL sp. z o.o. | | | 8 | FedEx Express Poland International Sp. z o.o. | | |
| 9 | DHL Parcel PL sp. z o.o. | | | 9 | TNT Express Worldwide (Poland) sp. z o.o. | | |
| 10 | TNT Express Worldwide (Poland) sp. z o.o. | | | 10 | Geis Parcel PL sp. z o.o. | | |

Source: UKE

## Volumes and revenues in 2018

In 2018, postal operators delivered 368.7 million courier items in domestic and cross-border traffic, which translated into PLN 4,643.5 million in revenue. As compared to 2017, the volume increased by 19.7%, while the revenues by 16.7%.

The courier items segment is a segment with the largest impact of the share of revenues from cross-border traffic on the total value of the segment. In 2018, this share was 22.7% of total revenues with only 6.4% of the volume of courier items in cross-border traffic.

In 2016-2018, the volumes of both streams of cross-border courier items were growing; however, throughout this period the dominance of the volume of the outgoing stream over the incoming stream was observed. In 2018, the outgoing stream volume increased by 26.2%, compared to 2017, almost doubling the dynamics observed in 2017, while the incoming stream increased by only 1.7%, significantly lowering the dynamics of the previous year.

The shape of cross-border courier items streams is of particular importance given the efforts of the European Union to unlock the potential of e-commerce as part of the strategy of creating the Digital Single Market and the resulting Regulation on cross-border parcel delivery services which came into force in 2018.

**26,2%**

increase in the volume of the outgoing stream of cross-border courier items

Table 11

### Courier items in domestic and cross-border traffic in 2016 – 2018 (by volume)

| | Volume (million items) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | % | 2017 | % | 2018 | % | 2017/16 | 2018/17 |
| Domestic | 247.5 | 93.7% | 287.8 | 93.5% | 345.2 | 93.6% | 16.3% | 19.9% |
| Cross-border | 16.8 | 6.3% | 20.3 | 6.5% | 23.6 | 6.4% | 20.9% | 16.3% |
| outgoing | 10.6 | 4.0% | 12.0 | 3.8% | 15.2 | 4.1% | 13.4% | 26.2% |
| incoming | 6.2 | 2.3% | 8.3 | 2.7% | 8.4 | 2.3% | 33.7% | 1.7% |
| **TOTAL** | **264.3** | **100.0%** | **308.1** | **100.0%** | **368.7** | **100.0%** | **16.6%** | **19.7%** |

Source: UKE

Table 12

## Courier items in domestic and cross-border traffic in 2016 – 2018 (by revenues)

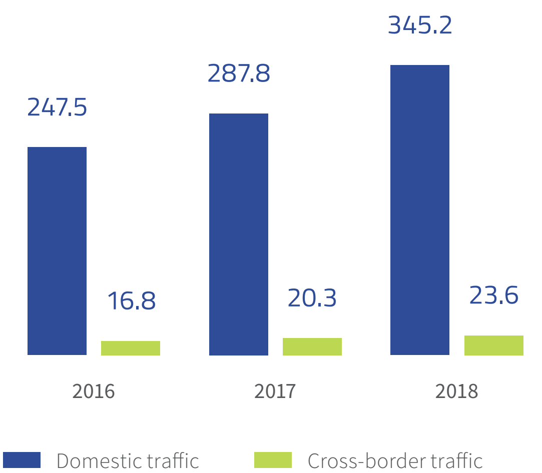
| | Revenues (PLN million) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | **%** | **2017** | **%** | **2018** | **%** | **2017/16** | **2018/17** |
| Domestic | 2,666.5 | 74.4% | 2,994.2 | 75.3% | 3,589.2 | 77.3% | 12.3% | 19.9% |
| Cross-border | 918.7 | 25.6% | 983.8 | 24.7% | 1,054.3 | 22.7% | 7.1% | 7.2% |
| outgoing | 610.3 | 17.0% | 666.6 | 16.6% | 775.1 | 16.7% | 9.2% | 16.3% |
| incoming | 308.4 | 8.6% | 317.1 | 8.0% | 279.2 | 6.0% | 2.8% | -11.9% |
| **TOTAL** | **3,585.2** | **100.0%** | **3,978.0** | **100.0%** | **4,643.5** | **100.0%** | **11.0%** | **16.7%** |

Source: UKE

In 2016-2018, the market of courier items grew in domestic and cross-border traffic, both in terms of volume and revenues.

Chart 9

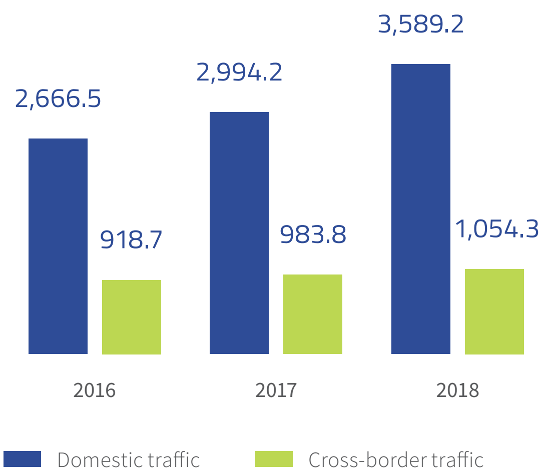
## Courier items in domestic and cross-border traffic in 2016 – 2018 – by volume (million items)




Source: UKE

Chart 10

## Courier items in domestic and cross-border traffic in 2016 – 2018 – by revenues (PLN million)




Source: UKE

The increase in both the volume and revenues from courier items results, as explained, from rapid development of e-commerce services in recent years.

## Complaints about courier items

In 2018, users of courier company services filed complaints about the total of 1,337,257 services, which in relation to the total volume of performed services, means that more than 36 per each 10,000 services were subject to complaints (in 2017 – below 29).

Delay of delivery exceeding the guaranteed delivery time limit was the most common reason for complaints. The percentage of complaints accepted by the operators as justified amounted to 60.5% (in 2017 – 55.4%).

Table 13

### Filed complaints and the manner of their handling – courier items in 2018

| Reason for filing | Manner of dealing | Accepted | Rejected | Pending | Total | Share % |
|---|---|---|---|---|---|---|
| | **Loss of item** | 43,455 | 40,813 | 2,859 | 87,127 | 6,5% |
| | **Loss of content** | 5,559 | 6,981 | 614 | 13,154 | 1,0% |
| | **Damage to item** | 54,710 | 70,081 | 5,901 | 130,692 | 9,8% |
| | **Delay of delivery exceeding the delivery time limit** | 653,779 | 293,622 | 624 | 948,025 | 70,9% |
| | **Incorrectly filled ZPO[17]** | 209 | 598 | 0 | 807 | 0,1% |
| | **Return of an item failing to comply with the time limit** | 1,265 | 1,020 | 0 | 2,285 | 0,2% |
| | **Return of an item due to incorrectly stated reason** | 3,316 | 5,187 | 11 | 8,514 | 0,6% |
| | **Other** | 46,973 | 99,159 | 521 | 146,653 | 11,0% |
| | **TOTAL** | **809,266** | **517,461** | **10,530** | **1,337,257** | **100,0%** |

Source: UKE

[17] A document confirming the receipt of an item

## 3.4. Universal services

In 2018, universal services[18] were provided in domestic and cross-border traffic:

1. clearance, sorting, transport and delivery of:

a. letter items, including registered and insured items up to 2,000 g and following dimensions measured with a tolerance of 2 mm:
   - maximum – 900 mm, as the sum of the length, width and height, the largest dimension not exceeding 600 mm, and in the case of rolled letter items – 1040 mm, as the sum of their length and the double diameter, with the largest dimension not exceeding 900 mm,
   - minimum – 170 mm in the case of rolled letters items, as the sum of their length and the double diameter, with the largest dimension being not less than 100 mm,
   - minimum for an address side – 90x140 mm,

b. items for the blind,

c. postal parcels, including insured ones, up to 10,000 g and with dimensions of which the largest does not exceed 1500 mm, and the sum of the length and the largest perimeter measured in a direction other than the length should not exceed 3000 mm;

2. sorting, transport and delivery of postal parcels dispatched from abroad weighing up to 20,000 g and with dimensions referred to in point 1 (c).

Under the provisions of the Universal Postal Convention, universal services also include postal parcels up to 20 kg sent abroad and M-bags.

In the current legal environment, the universal services catalogue does not include postal money orders, direct mail, and services listed in Article 45 (1) of the Act provided for bulk senders.

Universal services, in accordance with Article 46 (2) of the Postal Law Act, should be provided: in a uniform manner, under comparable conditions, ensuring throughout the national territory: location of postal points of contact and mail boxes matching demand in a given area, in compliance with the routing time indicators for postal items, at affordable prices, with frequency ensuring at least one emptying of mail boxes and delivery of postal items at least on every working day and not less often than 5 days a week, excluding public holidays, in a manner allowing the sender to obtain a document confirming the receipt of a recorded item.

Universal services are provided by Poczta Polska.

### Volumes in 2018

In 2018, Poczta Polska provided 565.3 million universal services, which translated into PLN 2,920.4 million in revenue. 86.7% of services were provided in domestic and 13.3% in cross-border traffic. In 2016-2018, there was a gradual slowdown in the decline in the volume of universal services. In 2018, compared to the previous year, the volume of services in domestic traffic increased by 5.6%, while in cross-border traffic it decreased by 25.2%. The share of universal services in postal services totalled 29.4% of the volume and 30.9% of the revenues, respectively.

[18] Article 45 of the Postal Law Act

Table 14

## Universal services in domestic and cross-border traffic in 2016 – 2018 (by volume)

| | Volume (million items) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | % | 2017 | % | 2018 | % | 2017/16 | 2018/17 |
| Letter items | 561.9 | 98.2% | 555.7 | 98.4% | 556.1 | 98.4% | -1.1% | 0.1% |
| Postal parcels | 10.2 | 1.8% | 8.9 | 1.6% | 9.2 | 1.6% | -12.7% | 3.2% |
| **TOTAL** | **572.1** | **100.0%** | **564.7** | **100.0%** | **565.3** | **100.0%** | **-1.3%** | **0.1%** |

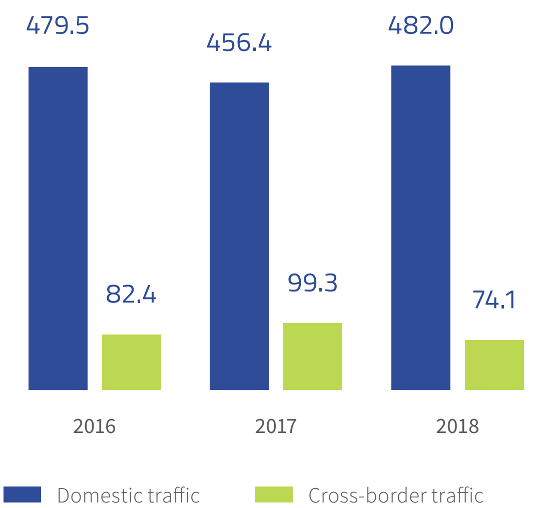
Source: UKE

In 2018, as in preceding years, the largest part in the segment of universal services was made by letter items, with a share of 98.4% of the total volume. 1.6% related to the volume of postal parcels.

Data analysis for the volume of letter items in the universal services segment in 2016-2018 in domestic traffic shows that the downward trend for this group of services observed in 2016-2017 was reversed. As early as in 2017, compared to the preceding year, the drop was clearly less significant and in 2018 a growth was seen in the volume by 5.6%. In cross-border traffic, the volume of letter items in 2018 showed a strong downward trend (25.4%).

Chart 11

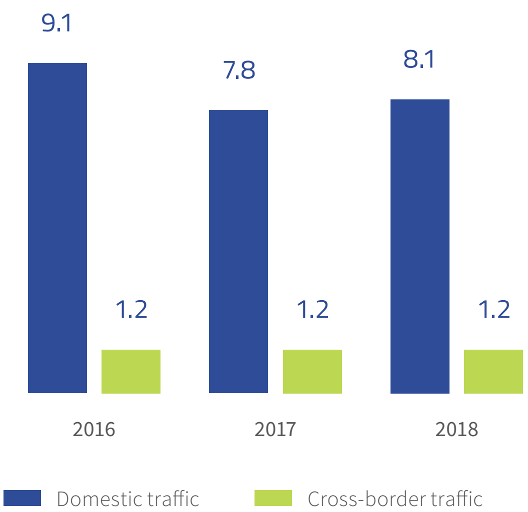
### Letter items in domestic and cross-border traffic in 2016 – 2018 – by volume (million items)




Source: UKE

Chart 12

## Postal parcels in the universal services segment in domestic and cross-border traffic in 2016 – 2018 – by volume (million items)




Source: UKE

Data analysis for the volume of postal parcels in the universal services segment in 2016-2018, in domestic traffic, shows a reversal of downward trends from 2017. In 2018, the volume of postal parcels slightly increased (by 3.9%). In cross-border traffic, the volume of postal parcels remained stable in recent years.

## Complaints about universal services

In 2018, users of universal services filed complaints concerning the total of 213,236 services, which, compared to the total volume of service provided, means that less than 4 services (2017 – below 4) were subject to complaint per every 10,000 services provided. The most common reason for complaints was loss of an item. The percentage of complaints accepted as justified by the designated operator amounted to 40.6% (2017 – 39.7%).

Table 15

## Complaints and the manner of their handling – universal services in 2018

| | Manner of handling | Accepted | Rejected | Pending | Total | Share % |
|---|---|---|---|---|---|---|
| Reason for filing | **Loss of item** | 44,633 | 58,084 | 2,875 | 105,592 | 49.5% |
| | **Loss of content** | 248 | 563 | 37 | 848 | 0.4% |
| | **Damage to item** | 605 | 1,937 | 100 | 2,642 | 1.2% |
| | **Delayed item** | 11,529 | 6,480 | 0 | 18,009 | 8.4% |
| | **Incorrectly filled ZPO**[19] | 1,867 | 1,218 | 0 | 3,085 | 1.4% |
| | **Other**[20] | 27,782 | 54,133 | 1,145 | 83,060 | 39.0% |
| | **TOTAL** | **86,664** | **122,415** | **4,157** | **213,236** | **100.0%** |

Source: UKE

[19] A document confirming the receipt of a recorded item
[20] Return of a recorded item failing to comply with the time limit, return of a recorded item due to incorrectly stated reason and other

## 3.5. Services falling within the scope of universal services

The segment of services falling within the scope[21] of universal services includes letter items and postal parcels of the weight and dimensions specified for universal services and items for the blind, not provided by the operator designated to offer universal services.

The services falling within the scope of universal services also comprise the provision of such services to bulk senders (i.e. sending more than 100,000 items per year), that is the reason why Poczta Polska records revenues also in this market segment.

This segment is characterized by contracts for massive volumes and the significant bargaining power of ordering parties seen in negotiations of these contacts, which translates into effective pressure to lower prices. That largely explains why this segment, which generates as much as 42.8% of the total postal services market, provides only 14.4% of the value of this market.

In 2018, 48 postal operators were active in the segment of services falling within the scope of universal services, including Poczta Polska.

The segment of services falling within the scope of universal services is extremely concentrated. In 2018, the share of the two largest operators providing services in the segment of services falling within the scope of universal services amounted to 98.3% in revenues and 99.1% in the volume of services.

The table below presents a list of the major operators along with the scope of their activities.

[21] Article 3 point 30 of the Postal Law Act

Table 16

### Major postal operators in the segment of services falling within the scope of universal services in domestic and cross-border traffic, by volume and revenues in 2018

**Volume**

| No. | Name of operator | Domestic traffic letter items | Domestic traffic postal parcels | Cross-border traffic |
|---|---|---|---|---|
| 1 | Poczta Polska S.A. | | | |
| 2 | Speedmail sp. z o.o. | | | |

**Revenues**

| No. | Name of operator | Domestic traffic letter items | Domestic traffic postal parcels | Cross-border traffic |
|---|---|---|---|---|
| 1 | Poczta Polska S.A. | | | |
| 2 | Speedmail sp. z o.o. | | | |

Source: UKE

## Volumes and revenues in 2018

In 2018, postal operators delivered a total of 824.8 million services falling within the scope of universal services in domestic and cross-border traffic, which translated into PLN 1,361.4 million in revenue. Compared to 2017, both the volume and revenues increased by 2.2% and by 13.8%, respectively.

As in the case of universal services, domestic traffic accounted for the largest volume. Cross-border traffic or services falling within the scope of universal services, are of relatively minor importance. The most important service in this segment includes letter items, whose share amounted to 98.4% of the total volume.

Table 17

### Services falling within the scope of universal services in 2016 – 2018 (by volume)

| | Volume (million items) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | % | 2017 | % | 2018 | % | 2017/16 | 2018/17 |
| Letter items | 819.4 | 98.3% | 790.2 | 97.9% | 811.8 | 98.4% | -3.6% | 2.7% |
| Postal parcels | 14.2 | 1.7% | 16.6 | 2.1% | 13.0 | 1.6% | 17.2% | -21.5% |
| **TOTAL** | **833.5** | **100.0%** | **806.8** | **100.0%** | **824.8** | **100.0%** | **-3.2%** | **2.2%** |

Source: UKE

Table 18

### Services falling within the scope of universal services in 2016 – 2018 (by revenues)

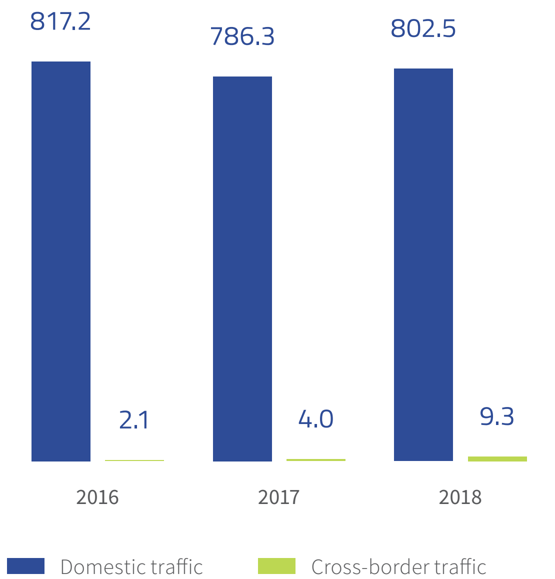
| | Revenues (PLN million) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | % | 2017 | % | 2018 | % | 2017/16 | 2018/17 |
| Letter items | 894.7 | 79.6% | 963.3 | 80.6% | 1,129.1 | 82.9% | 7.7% | 17.2% |
| Postal parcels | 151.4 | 13.5% | 167.4 | 14.0% | 162.8 | 12.0% | 10.6% | -2.8% |
| Other[22] | 77.4 | 6.9% | 65.1 | 5.4% | 69.5 | 5.1% | -15.9% | 6.8% |
| **TOTAL** | **1,123.5** | **100.0%** | **1,195.9** | **100.0%** | **1,361.4** | **100.0%** | **6.4%** | **13.8%** |

Source: UKE

[22] Confirmation of receipt of a recorded item

Chart 13

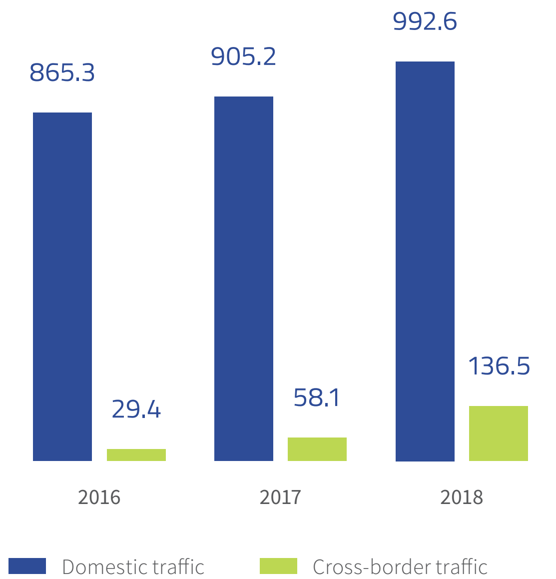
Letter items in the segment of services falling within the scope of universal services in domestic and cross-border traffic in 2016 – 2018 – by volume (million items)




Source: UKE

Chart 14

Letter items in the segment of services falling within the scope of universal services in domestic and cross-border traffic in 2016 – 2018 – by revenues (PLN million)

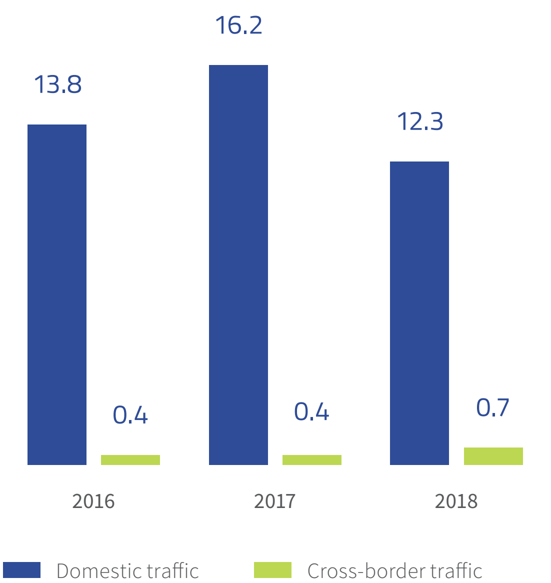



Source: UKE

In 2016-2018, in the segment of services falling within the scope of universal services, a gradual increase in revenues in the scope of letter items was noticed both in domestic and cross-border traffic, with the revenues for the cross-border traffic increased by almost five times in relation to 2016. In this market segment, postal operators provide letter services mainly to business and institutional customers.

Chart 15

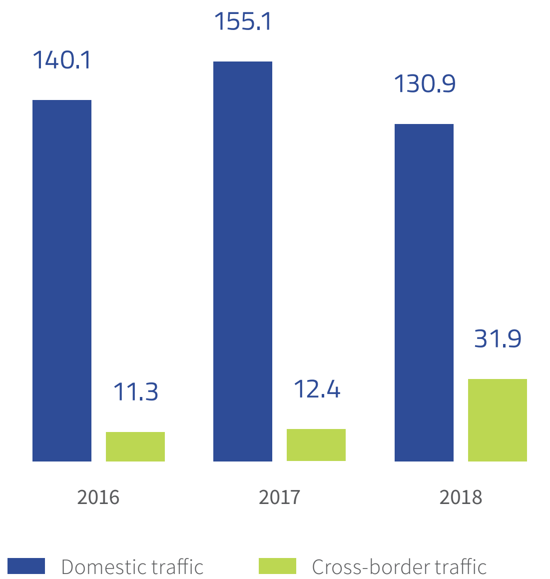
### Postal parcels in the segment of services falling within the scope of universal services in domestic and cross-border traffic in 2016 – 2018 – by volume (million items)




Source: UKE

Chart 16

### Postal parcels in the segment of services falling within the scope of universal services in domestic and cross-border traffic in 2016 – 2018 – by revenues (PLN million)




Source: UKE

The volume and revenues in the domestic market for postal parcels in the discussed market segment show decreases. However, in the cross-border traffic an increase in the volume of postal parcels is maintained, with a simultaneous increase in revenues obtained in this area.

## Complaints about services falling within the scope of universal services

In 2018, users of services falling within the scope of universal services filed complaints concerning the total of 407,692 services, which, with respect to the total volume of services provided, means that less than 5 items (2017 – below 4) were subject to complaint per every 10,000 services provided. Delay in delivery time was the most common reason for complaints. The percentage of complaints accepted by the operators as justified amounted to 63.8% (2017 – 60.4 %).

Table 19

### Complaints and the manner of their handling – services falling within the scope of universal services in 2018

| | Manner of dealing | Accepted | Rejected | Pending | Total | Share % |
|---|---|---|---|---|---|---|
| Reason for filing | Loss of item | 38,654 | 27,192 | 650 | 66,496 | 16.3% |
| | Loss of content | 244 | 234 | 8 | 486 | 0.1% |
| | Damage to item | 5,421 | 2,669 | 23 | 8 113 | 2.0% |
| | Delay of delivery exceeding the guaranteed delivery time limit | 117,877 | 66,211 | 100 | 184,188 | 45.2% |
| | Incorrectly filled ZPO[23] | 56,346 | 14,836 | 2 | 71,184 | 17.5% |
| | Return of a recorded item failing to comply with the time limit | 1,266 | 661 | 4 | 1,931 | 0.5% |
| | Return of a recorded item due to incorrectly stated reason | 94 | 58 | 0 | 152 | 0.04% |
| | Other | 40,014 | 34,539 | 589 | 75,142 | 18.4% |
| | **TOTAL** | **259,916** | **146,400** | **1,376** | **407,692** | **100.0%** |

Source: UKE

[23] A document confirming the receipt of a recorded item

## 3.6.
## Other postal services

The segment of other postal services includes letters and postal parcels that do not correspond to the definitions of items included in the universal services segment and the segment of services falling within the scope of universal services. Other postal services include postal money orders, direct mail, non-addressed printed forms and postal items sent using electronic means of communication (the so-called hybrid mail), which at the stage of clearance, transport or delivery took the physical form of a letter item.

In 2018, the revenues of this segment accounted for 5.5% of the total postal market value, while the volume accounted for 8.7% of the total market volume.

Distribution of non-addressed printed forms is a specific service belonging to this segment, which may be provided without an entry into the Register of postal operators. This service is characterized by huge volumes (in 2018 – 4.4 billion items), and relatively small revenues (PLN 0.1 billion).

In order to avoid data distortion in the report, the volume of non-addressed printed forms, similarly to the previous year, was excluded from the measure of the volume in this segment, as well as from the entire volume of the postal market, in accordance with the guiding principles of this report.

Further analysis in the segment of other postal services was carried out without taking into account non-addressed printed forms.

In 2018, 24 postal operators were active in the segment of other postal services, including Poczta Polska.

This segment is also extremely concentrated. Two of the major operators in the segment generate 99.1% of the volume and 96.5% of total revenues.

Table 20

### Major postal operators in the segment of other postal services in domestic and cross-border traffic, by volume and revenues in 2018

| No. | Name of an operator | Letter items | Postal parcels | Direct mail | Postal money orders |
|---|---|---|---|---|---|
| 1 | Poczta Polska S.A. | | | | |
| 2 | Speedmail sp. z o.o. | | | | |

Source: UKE

## Volumes and revenues in 2018

In 2018, the volume in the segment of other postal services amounted to 167.0 million items, which translated into PLN 519.8 million in revenue. Compared to 2017, the volume in this market segment decreased by 11.6%, while the revenue increased by 10.2%.

The increase in revenues observed in this segment in 2018 results mainly from the increase in both the volume and revenues from postal money order services, which maintained their position in the postal services market for the second year in a row, despite extremely strong competition from banking services.

The tables below show the value, the shares of individual main services and the dynamics of revenues and volumes of the services in 2016-2018.

Table 21

### Other postal services in 2016 – 2018 (by volume)

| | Volume (million items) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | % | 2017 | % | 2018 | % | 2017/16 | 2018/17 |
| Direct mail | 181.5 | 79.2% | 138.5 | 73.3% | 116.8 | 69.9% | -23.7% | -15.7% |
| Postal orders | 42.6 | 18.6% | 42.5 | 22.5% | 45.4 | 27.2% | -0.3% | 7.0% |
| Other[24] | 5.2 | 2.3% | 7.9 | 4.2% | 4.8 | 2.9% | -53.2% | -39.2% |
| **TOTAL** | **229.3** | **100.0%** | **188.9** | **100.0%** | **167.0** | **100.0%** | **-17.6%** | **-11.6%** |

Source: UKE

[24] letter items, postal parcels, postal items sent by means of electronic communication

Table 22

### Other postal services in 2016 – 2018 (by revenues)

| | Revenues (PLN million) | | | | | | Change % | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | % | 2017 | % | 2018 | % | 2017/16 | 2018/17 |
| Direct mail | 147.8 | 31.1% | 129.1 | 27.4% | 126.5 | 23.2% | -12.7% | -2.0% |
| Postal orders | 276.1 | 58.2% | 285.0 | 60.4% | 332.6 | 64.9% | 3.2% | 16.7% |
| Other[25] | 50.7 | 10.7% | 57.7 | 12.2% | 60.6 | 11.8% | 13.8% | 5.1% |
| **TOTAL** | **474.6** | **100.0%** | **471.8** | **100.0%** | **519.8** | **100.0%** | **-0.6%** | **10.2%** |

Source: UKE

[25] letter items, postal parcels, postal items sent by means of electronic communication, acknowledgement of receipt of a recorded item

In 2018, as in the previous year, a decrease in both the volume level and revenues in the segment of direct mail was observed. As explained earlier in this report, the decrease was caused by customers switching to electronic forms of marketing communication.

## Complaints about other postal services

In 2018, users of other postal services filed complaints concerning a total of 26,286 services, which means that in relation to the total volume of services provided more than 1 service per 10,000 was subject to complaint (in 2017 – 1). The most common reason for filing a complaint was due to other reasons[26]. The percentage of complaints accepted by the operators as justified amounted to 68.1% (2017 – 40.5%).

Table 23

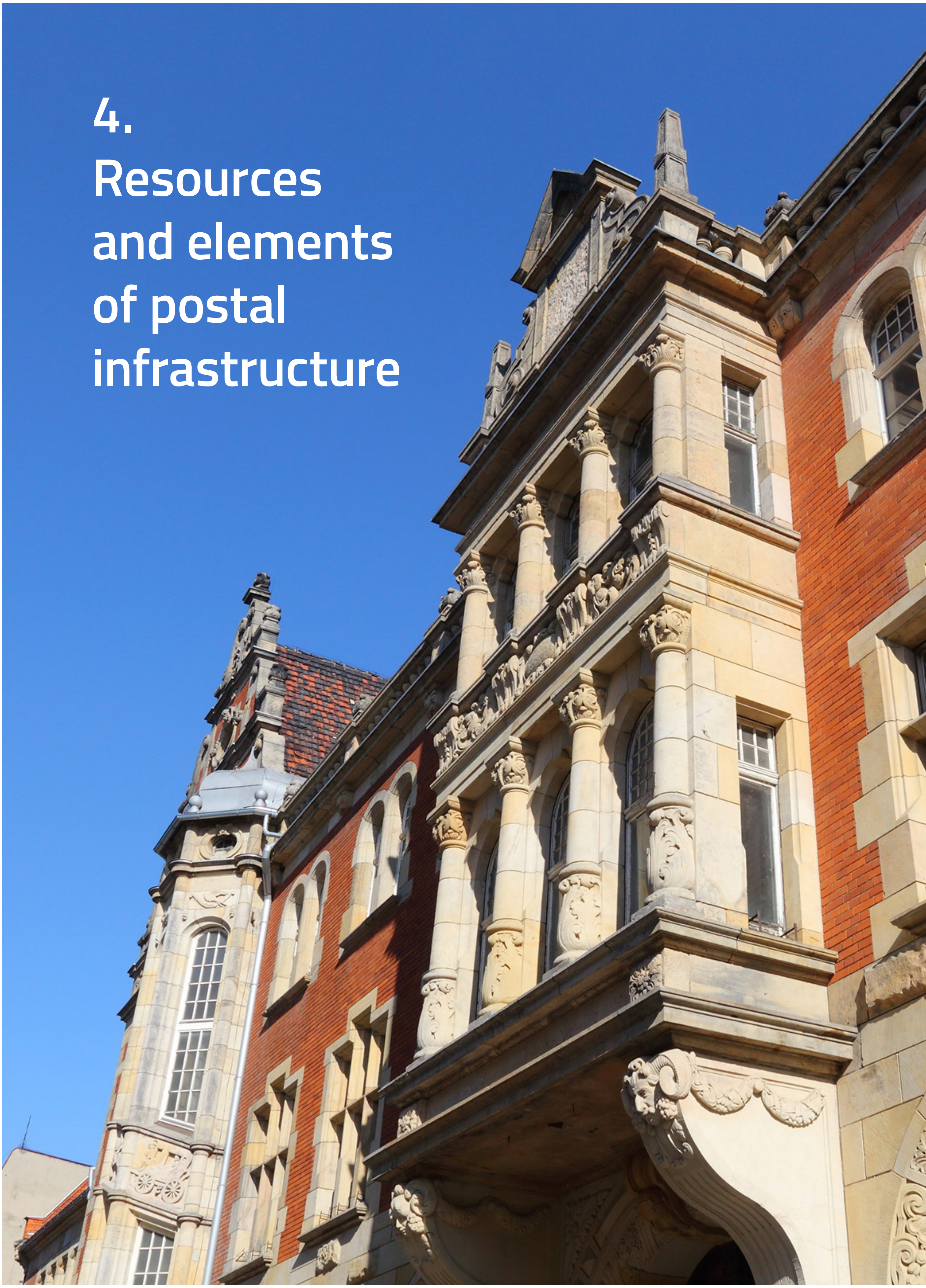
### Complaints and the manner of their handling – other postal services in 2018

| Reason for filing | Manner of handling | Accepted | Rejected | Pending | Total | Share % |
|---|---|---|---|---|---|---|
| | **Loss of item** | 859 | 690 | 2 | 1,551 | 5.9% |
| | **Loss of content** | 85 | 26 | 0 | 111 | 0.4% |
| | **Damage to item** | 390 | 1,126 | 0 | 1,516 | 5.8% |
| | **Delay of delivery exceeding the guaranteed delivery time limit** | 3,470 | 2,125 | 0 | 5,595 | 21.3% |
| | **Non-delivery by the designated operator of the amount of money specified in a postal order** | 821 | 3,176 | 133 | 4,130 | 15.7% |
| | **Other** | 12,264 | 1,119 | 0 | 13,383 | 50.9% |
| | **TOTAL** | **17,889** | **8,262** | **135** | **26,286** | **100.0%** |

Source: UKE

[26] among others, incorrect filling of a document confirming the receipt of the recorded item

# 4. Resources and elements of postal infrastructure



# Resources and elements of postal infrastructure of the designated operator

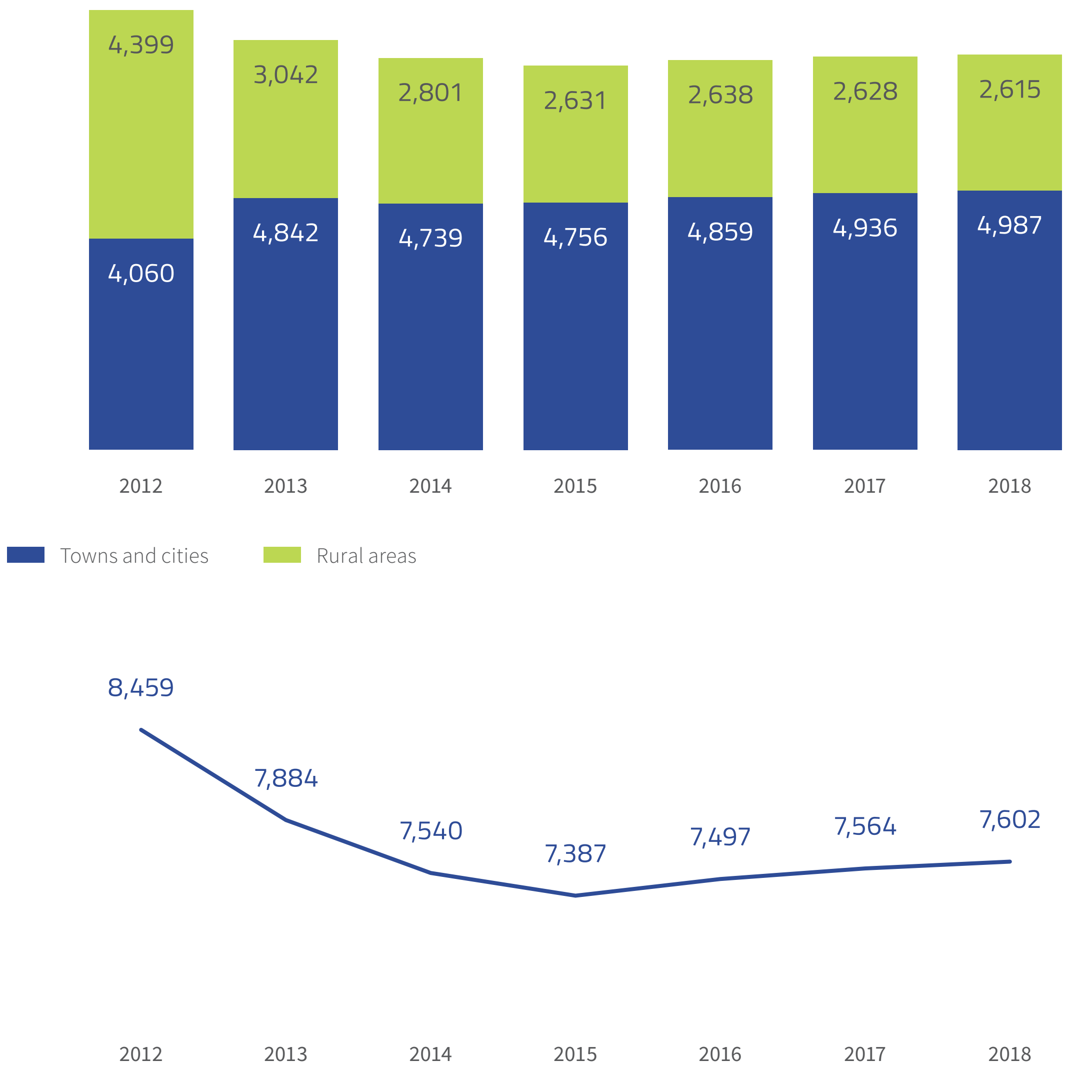
## Postal points of contact

As of 31 December 2018, Poczta Polska had 7,602 postal points of contact, of which 4,987 were located in cities (this category included points of contact located in urban municipalities and urban-rural communes), and 2,615 postal points of contact in rural areas (i.e. rural municipalities). 2,884 postal points of contact were run by postal agents.

In 2018, the number of postal points of contact of the designated operator grew by 38. This was another year in a row in which the number of the points of contact of Poczta Polska increased.

Chart 17

## Number of postal points of contact of Poczta Polska in 2012 – 2018




Source: UKE

As of 31 December 2018, Poczta Polska met the requirements in terms of location of postal points of contact and ensuring availability of the network of postal points of contact.

Table 24

## Fulfilment of requirements for availability of universal services by Poczta Polska

| Requirement for availability according to the Ordinance of the Minister of Administration and Digital Affairs[27] | Degree of fulfilment as of 31.12.2018 |
|---|---|
| In each municipality there should be at least one permanent postal point of contact of the designated operator. | **Requirement fulfilled** In each of the 2,478 municipalities there was at least one permanent postal point of contact |
| There is one permanent postal point of contact of the designated operator, when calculating an average value nationally, per 6,000 residents in urban and urban-rural municipalities. | **Requirement fulfilled** The availability rate of the network of postal points of contact, when calculating an average value nationally, for urban and urban-rural municipalities was 5,917 residents per 1 operational permanent postal point of contact. |
| There is one postal point of contact of the designated operator, when calculating an average value nationally, per an area of 85 km2 in rural municipalities. | **Requirement fulfilled** The availability rate of the network of postal points of contact, when calculating an average value nationally, for rural municipalities was 81.02 km2 per 1 operational permanent postal point of contact. |
| Postal points of contact of the designated operator should be open on all working days, excluding Saturdays, at least 5 days a week, and if in a given week there is a public holiday, the number can be lowered accordingly. | **Requirement fulfilled** Points of contact are open on all working days. On public holidays, customer service is provided by postal points of contact on duty. |

Source: Information provided by Poczta Polska

[27] Ordinance of the Minister of Administration and Digital Affairs on conditions for providing universal services by the designated operator (Journal of Laws of 2013, item 545, as amended)

## Mail boxes and automated equipment for provision of postal services

As of the end of 2018, Poczta Polska had 16,283 active mail boxes, including:

- 8,090 in towns and cities.
- 8,193 in rural areas.

Compared to 2017, the number of mailboxes decreased by nearly 5%. The drop in the number of mailboxes was also noticed in the previous years.

In addition to postal points of contact, consumers were also able to send and receive postal items in a place and time suitable for them by means of automated equipment for provision of postal services. At the end of 2018 the designated operator had 118 pieces of automated equipment for provision of postal services.

## Other elements of postal infrastructure

At the end of 2018, Poczta Polska owned 127,947 post office boxes and 118,182 own letter boxes. In addition, the designated operator had a system of postal codes identifying the areas of delivery and a database with information on changes in addresses for the purpose of re-addressing postal items. The designated operator owning the above-mentioned elements of postal infrastructure, has the obligation to provide access to those elements to postal operators providing services within the scope of universal services to the extent specified in a contract for access to the elements of postal infrastructure, whereas in the case of operators that do not provide services falling within the scope of universal services it is obliged to provide only the system of postal codes identifying the areas of delivery and the database with information on changes in addresses for the purposes of re-addressing postal items.[28] In 2018, Poczta Polska did not sign any contract for access to elements of postal infrastructure.

## Employment at Poczta Polska

In 2018, the level of average annual employment at Poczta Polska based on employment contracts, in full-time equivalents was 78,099 full-time positions. In comparison to the data from the preceding year, this is an increase by 2.3%. This was the second year in a row in which the designated operator increased the level of employment.

## Resources and elements of postal infrastructure of alternative operators

### Postal points of contact

As of the end of 2018, alternative postal operators reported a total of 14,799 postal points of contact, of which 13,002 were located in towns and cities and 1,797 postal points of contact in rural areas. The data indicates that alternative postal operators focus their activities on cities, where there is a much greater demand for postal services, and the costs of providing them are lower than in the rural areas. Out of the total number of postal points of contact of alternative operators, the vast majority, i.e. 12,927, were managed by postal agents.

Table 25

### Number of postal points of contact reported by alternative postal operators (as of 31 December 2018)

| Number of postal points of contact | Number of operators in 2018 |
|---|---|
| no postal points of contact | 58 |
| 1 postal point of contact | 53 |
| 2 to 10 postal points of contact | 15 |
| 11 to 100 postal points of contact | 10 |
| over 1,000 postal points of contact | 8 |
| **IN TOTAL** | **144** |

Source: UKE

The above data shows that the majority of alternate postal operators (over 77%) do not have postal points of contact or have a single point of contact, which is usually also the registered office of a sole trader.

[28] Article 66 of the Postal Law Act

## Elements of postal infrastructure

In the reported period, none of the alternative postal operators had their own postal mailboxes. At the same time, the number of automated postal services machines for postal customer service was not indicated in the reports on postal activities[29]. Information obtained by UKE shows that as of 31 December 2018, there were approximately 4,350 automated postal services machines in Poland.

## Employment with alternative postal operators

In 2018, the level of the average annual employment with alternative postal operators amounted to 14,085 full-time positions, which is a decrease by 5.6%, compared to 2017. As the table below suggests, the employment status for individual postal operators was very diverse. There were 8 operators in the market employing more than 500 employees. A relatively large group of operators are one-person operators (51).

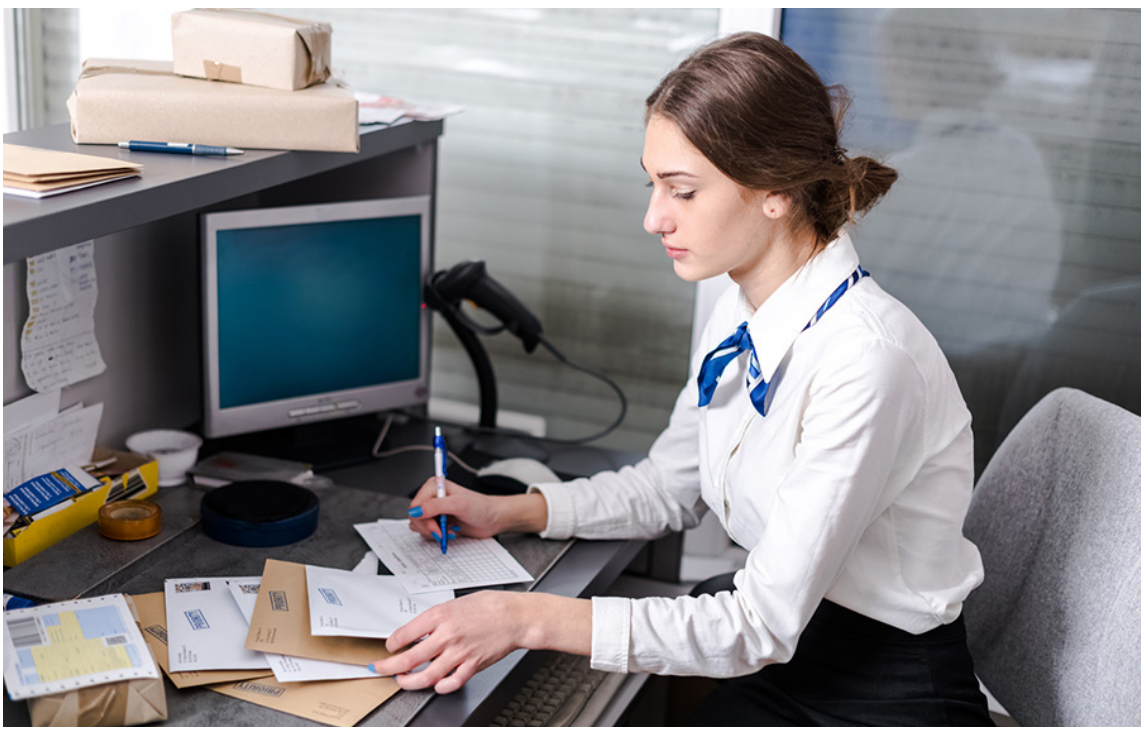
Table 26

### Number of employees employed with alternative postal operators (as of 31 December 2018)

| Level of employment | Number of operators in 2018 |
|---|---|
| one-person operators | 51 |
| 2 to 9 people | 46 |
| 10 to 49 people | 33 |
| 50 to 249 people | 4 |
| 250 to 500 people | 2 |
| more than 500 people | 8 |
| **IN TOTAL** | **144** |

Source: UKE

[29] The owner of the network of automated postal services machines is an entity that is not a postal operator

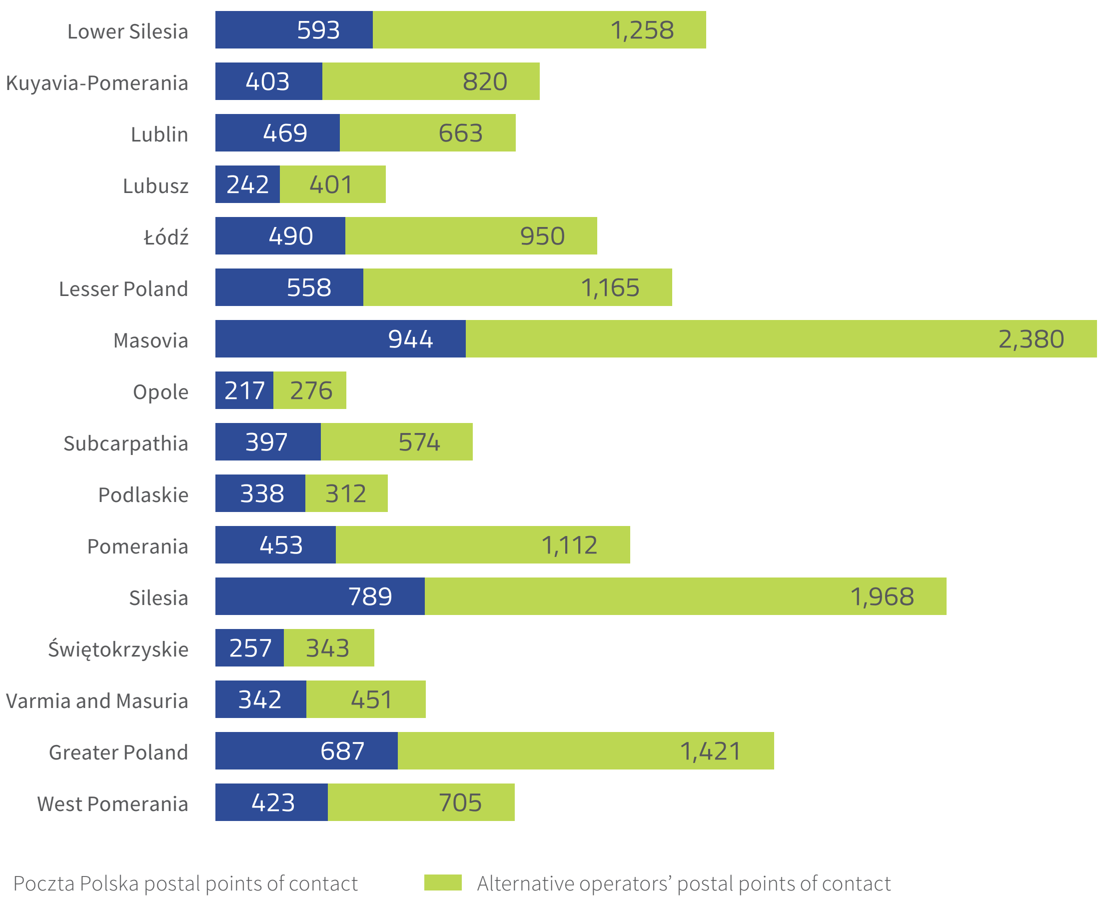


## Postal operators' points of contact in 2018

In 2018, postal operators provided services in 22,401 postal points of contact across the country. Out of these, over 29.4% (6,590) were the operators' own points of contact. The remaining 70.6% of the points of contact were run by postal agents. 71.6% of the number of operators' own postal points of contact were the designated operator's facilities. As in previous years, the largest number of postal points of contact is located in highly urbanized regions, such as Masovia, Silesia and Greater Poland. Considering the relative measure of the number of postal operators' points of contact in relation to the number of residents of individual regions, regions with a higher GDP per capita perform better.

Chart 18

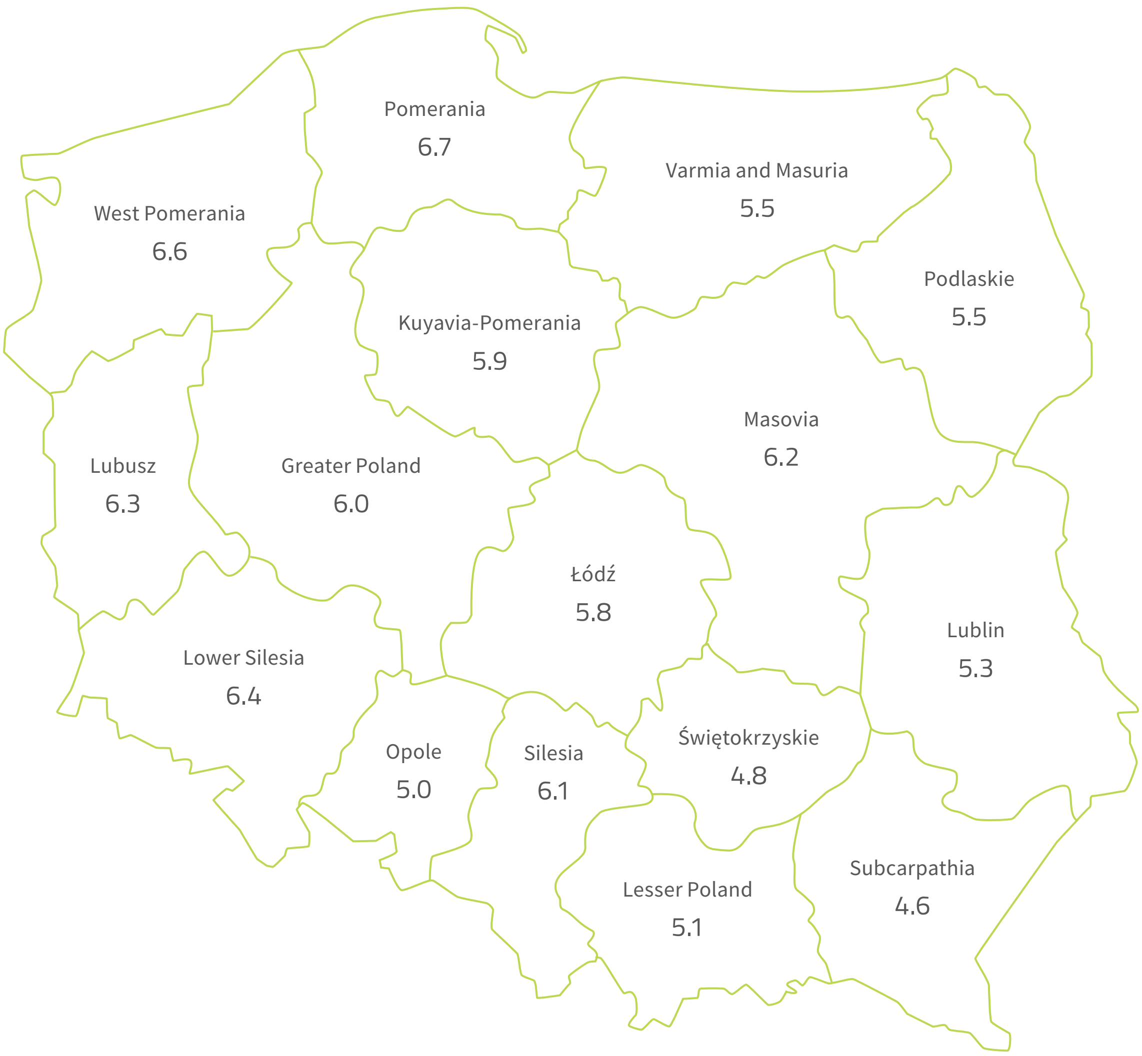
### Number of postal points of contact in 2018 by region




Source: UKE

Chart 19

## Distribution of postal operators' points of contact per 10,000 residents in 2018 by region




Source: UKE (population used for calculations according to the Central Statistical Office)

# 5.
# Conclusions

For the last two years, the Polish postal market has been growing at an unprecedented pace. Since 2016, revenues generated by postal operators have increased in total by almost **PLN 1.8 billion**, which is an increase by **23.4%**.

According to the global trend, the fastest growing segment of the postal market is the courier segment, which breaks year-to-year records in terms of both volumes and revenues, following the boom of e-commerce.

For the last two years, the development of the courier segment has been accompanied by an increase in revenue from universal services. The demand for these services in the face of Poland's economic growth turned out to be elastic only to a very limited extent, which can be proven by the fact that in 2018 for the first time in a few years both the volume and total value of revenues from letter services increased, despite the increased prices for these services since 2017.

On the other hand, despite the dynamically growing demand for services, the decline in unemployment and the related pressure on growing wages resulted in a significant increase in the costs of postal activities in Poland.

Even the major operators with high operational efficiency, that operate on a large scale, encounter difficulties in achieving high profitability.

Despite the intense competitive struggle of operators for volumes and revenue streams, especially in the courier items market, difficulties in obtaining human resources as well as increasing requirements of consumers, operators plan further investments, both in development of the network of collection points and in improving efficiency.

This is so because the Polish postal services market still has significant development prospects resulting from the potential for further growth in the number of transactions of Polish e-commerce consumers, the excellent geographical location of Poland and plans to expand and modernize national transport networks

The aggregate data presented below illustrates the development of key indicators for the postal services market in Poland.

Table 27

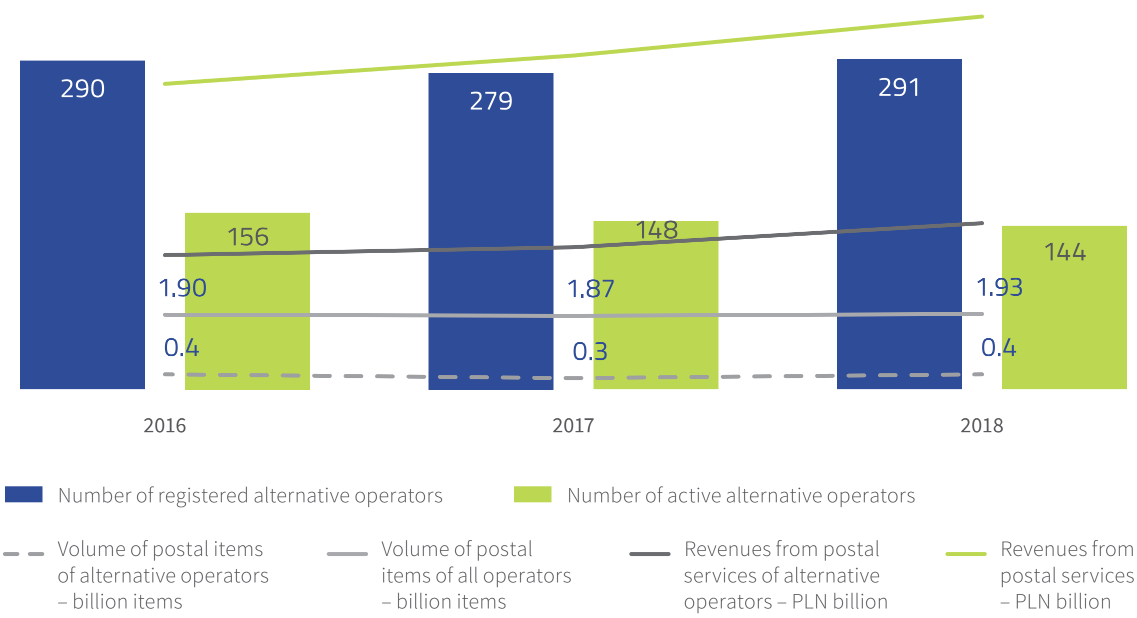
## Selected values describing the postal market in Poland in 2016 – 2018 (excluding non-addressed printed forms)

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| Number of registered alternative operators | 290 | 279 | 291 |
| Number of active alternative operators | 156 | 148 | 144 |
| Volume of the items of alternative operators – billion items | 0.4 | 0.3 | 0.4 |
| Volume of the items of all operators – billion items | 1.90 | 1.87 | 1.93 |
| Revenues from postal services of alternative operators – PLN billion | 3.4 | 3.6 | 4.2 |
| Revenues from postal services – PLN billion | 7.7 | 8.4 | 9.4 |

Source: UKE

Chart 20

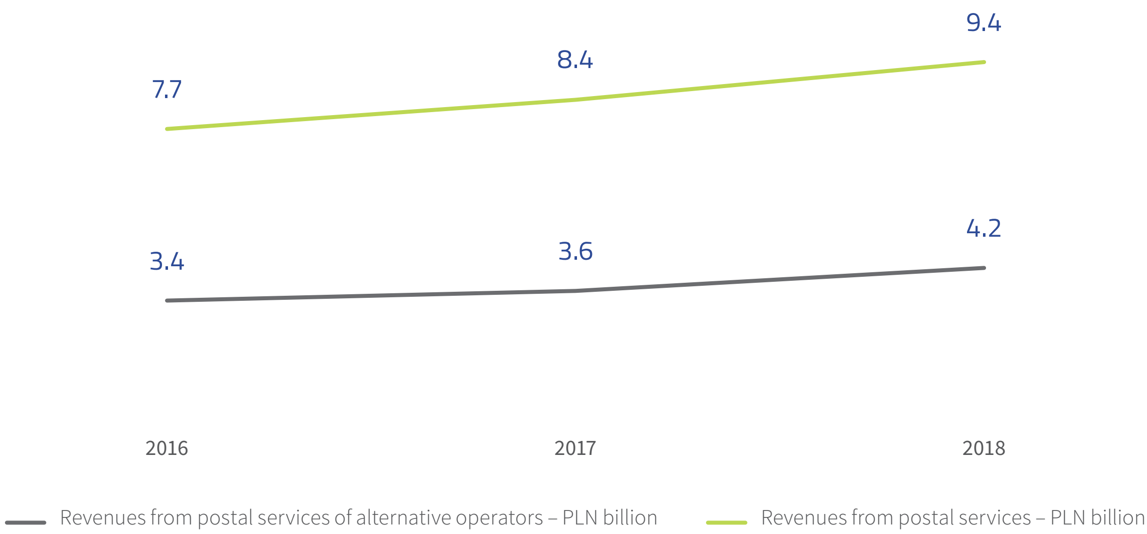
## Selected values describing the postal market in Poland in 2016 – 2018 (excluding non-addressed printed forms)




Source: UKE

Chart 21

## Revenues from postal services in 2016 – 2018 (PLN billion)




Source: UKE

Table 28

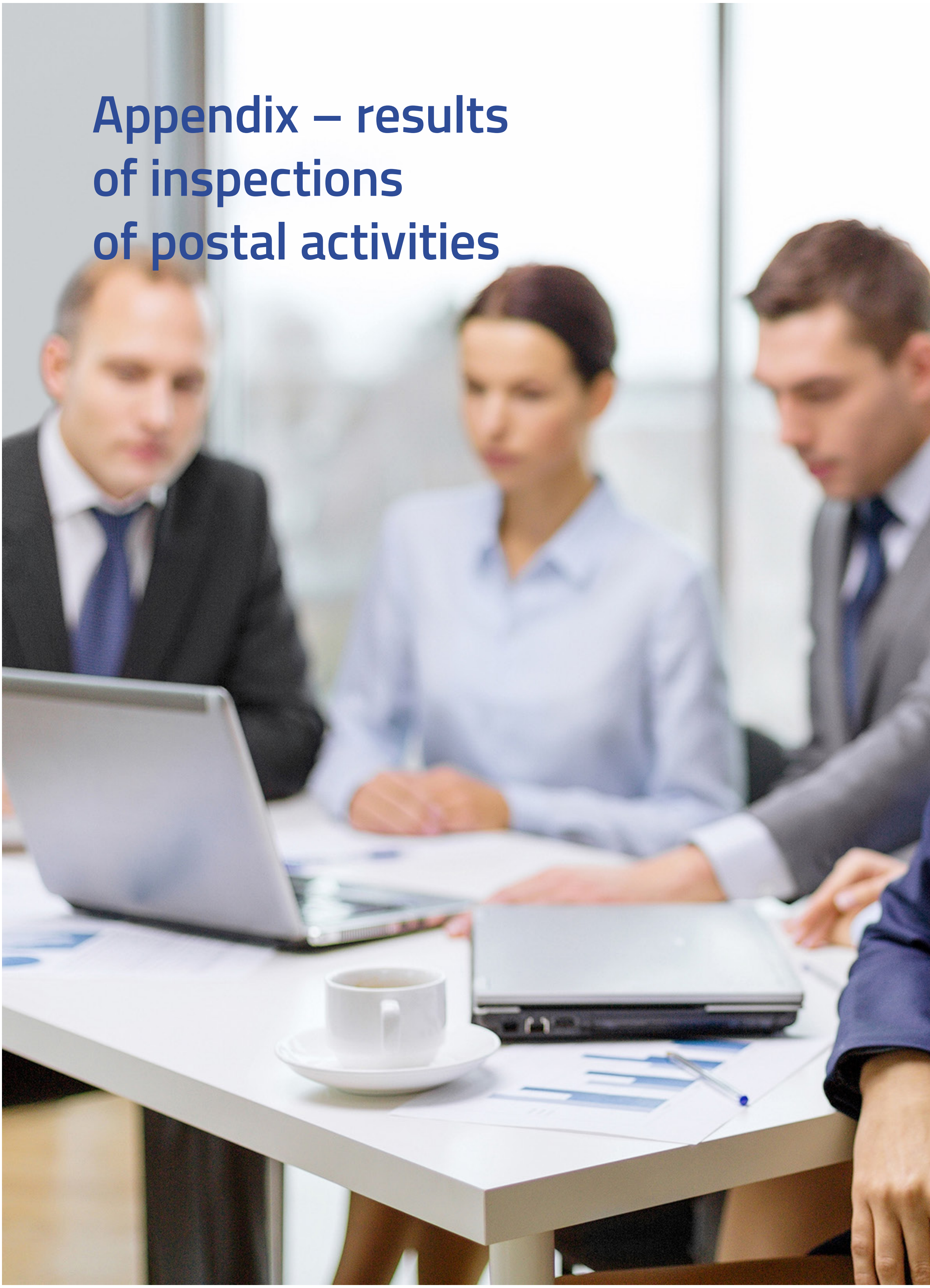
## Postal services in particular market segments in 2016 – 2018 – structure (%) by volume and revenues (excluding non-addressed printed forms)

| | 2016 | | 2017 | | 2018 | |
|---|---|---|---|---|---|---|
| **Segment** | **Volume** | **Revenues** | **Volume** | **Revenues** | **Volume** | **Revenues** |
| Courier items | 13.9% | 46.8% | 16.5% | 47.2% | 19.1% | 49.2% |
| Universal services | 30.1% | 32.3% | 30.2% | 33.0% | 29.4% | 30.9% |
| Services falling within the scope of universal services | 43.9% | 14.7% | 43.2% | 14.2% | 42.8% | 14.4% |
| Other postal services | 12.1% | 6.2% | 10.1% | 5.6% | 8.7% | 5.5% |

Source: UKE

With significant revenues, direct employment of more than 90,000 people, the exchange of information and goods in the internal market and enabling Polish consumers to use and the entrepreneurs to compete domestically and abroad – the postal market is an important element of the Polish economy with great potential for further development.

# Appendix – results of inspections of postal activities



## Inspections of the operator providing universal services

In 2018, the President of UKE carried out inspections at Poczta Polska as the designated operator within the following scope:

- ensuring accessibility of the universal services for people with disabilities,
- handling complaints concerning universal services.

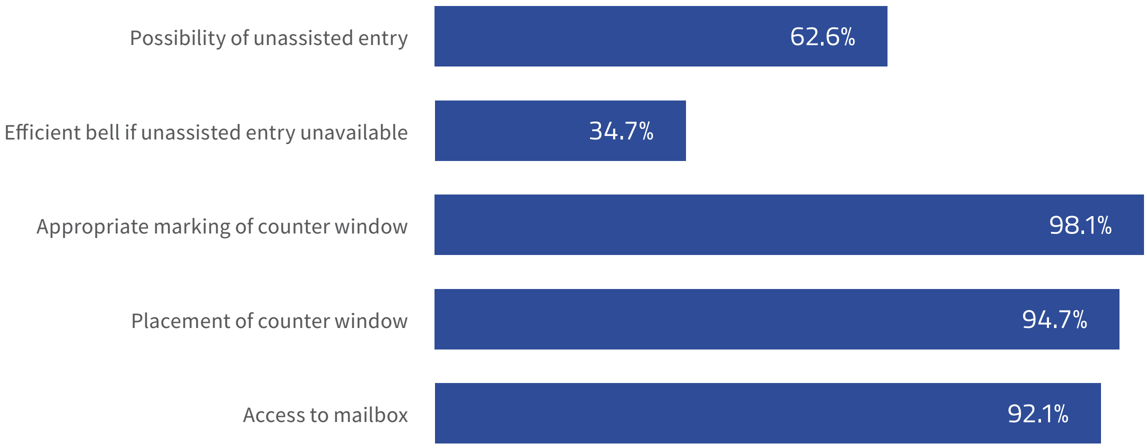
## Inspections concerning universal services accessibility for people with disabilities

Between September and November 2018, the President of UKE carried out inspections in 470 postal points of contact (285 urban points of contact and 185 rural points of contact), which accounted for 6.2% of the total number of points of contact run by Poczta Polska providing postal services throughout the country[30]. Out of the inspected postal points of contact, the possibility of unassisted access to the building was provided in 294 facilities, while in 163 postal points of contact without unassisted access, an efficiently functioning bell was installed to call the staff of the facility. This means that 457 points of contact of Poczta Polska, out of the 470 inspected (97.2%), provided disabled people using a wheelchair with the possibility of unassisted entry to the postal point of contact or the opportunity to effectively call an employee. Out of the 149 inspected postal points of contact, which had a delivery service,

[30] According to the data included in the annual report of the designated operator, at the end of 2017 there were 7,564 postal points of contact operating in Poland, including 4,936 postal points of contact located in urban areas and 2,628 in rural areas.

Chart 22

## Postal points of contact with facilities for the disabled




Source: UKE

records of disabled persons were kept in 148 postal points of contact (99.3%), while the parcel-pick up at home of the disabled person was guaranteed by all points of contact with delivery services (100%).

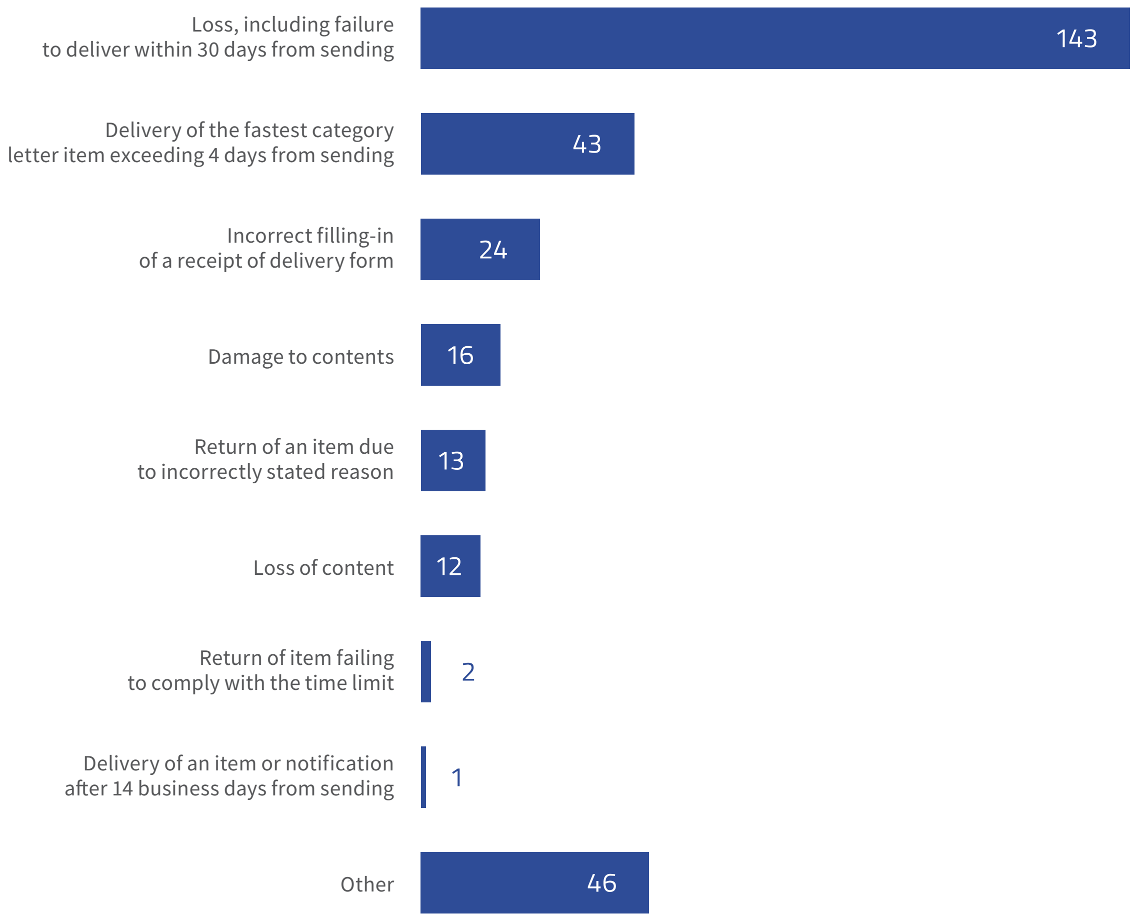
The inspection confirmed that the majority of the inspected postal points of contact met the requirements set out in the Postal Law Act. What is more, the information suggests that the designated operator as part of the ongoing process of the new visualization of postal points of contact, adapts them to the needs of people with disabilities by renovating or developing such facilities.

## Inspections concerning universal services complaint handling

From September to November 2018, UKE carried out inspections in the organizational units of Poczta Polska dealing with complaints. The inspections covered the period from 1 January to 7 November 2018. During the inspections, a total of 300 complaints regarding recorded items in domestic traffic were examined, including: 229 complaints concerning letter items, 3 complaints concerning insured items, 58 complaints regarding postal parcels and 10 complaints concerning insured postal parcels.

Chart 23

## Reasons for filling complaints – inspections data

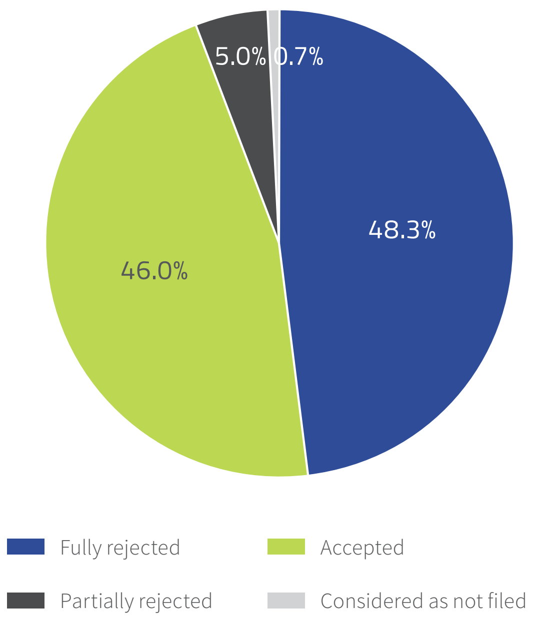



Source: UKE

In the light of the inspections findings, nearly 50% of the complaints filed during the period under examination were accepted as justified by Poczta Polska, while 145 complaints (48.3%) were rejected in full.

Chart 24

## Manner of handling complaints




Source: UKE

## Inspections concerning alternative operators

In 2018, UKE carried out inspections at 15 postal operators. The basis was: a failure to submit to the President of UKE a report on postal activities in the preceding year, verification of the data contained in the report, obtaining an entry in the register of postal operators and no previous verifications, as well as verification of the implementation of the UKE President's decision. Ten postal operators were effectively inspected. The inspection carried out regarding the implementation of the UKE President's final decision showed that the postal operator implemented the decision in question. On the other hand, 1 postal operator made it impossible to carry out an inspection, hence it was notified about the initiation of administrative proceedings in the matter of imposing a financial penalty for preventing the President of UKE from carrying out the inspection.

## Inspections aimed at detecting postal activities carried out without a required authorization

In this respect, the President of UKE inspected 4 undertakings that were suspected of conducting postal activities without a required entry into the register.

It was found that among the undertakings covered by the inspection 2 entities performed postal activities on behalf of and for the benefit of postal operators under cooperation agreements concluded with such postal operators. During the inspections it was found that 1 entity did not perform postal activities. As a result of the inspections, 3 of the inspected undertakings applied to the President of UKE for entry into the Register and as a result a relevant entry was duly made.

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