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Introduction

The Swedish Post and Telecom Authority is responsible for the monitoring, analysis and reporting on the development of the postal market. Our annual analysis – the Swedish Postal Market – is an important document for anyone interested in understanding how the market has changed. In this year’s report, volume statistics and the results of different user needs surveys clearly indicate the same thing: society’s need to receive and send letters and parcels continues to change as a result of ongoing digitalisation. During 2019, the volume of letters decreased by 10.5 per cent, which is the biggest percentage decline ever recorded. This development is having an increasing impact on the operating conditions of post and parcel delivery service providers in the market, and additionally, raises questions around what demands society should place on a universal postal service.

The two markets for postal services - the letter market and the parcel market - continue to develop in different directions and encounter increasingly diverse conditions. The regulation of the Swedish postal system was last amended in 2018 and will need to be reviewed again in the coming years. As a regulator, we have a responsibility to clarify the evidence underlying the development and to ensure that changes are implemented in the best possible way, without compromising the quality of the postal service. An important cornerstone of this work is communicating our understanding of the development. It is therefore our hope that the Swedish Postal Market 2020 can inspire a dialogue in a postal market that is currently undergoing fundamental change.

Dan Sjöblom

Director General
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ERGP the European Regulators Group for Postal Services, which is the group of European regulatory authorities for postal services

PTS (Post- och telestyrelsen), the Swedish Post and Telecom Authority
Summary

The postal market continues to change in line with a society that is sending fewer letters but an increasing number of parcels. During 2019, the volume of letters in Sweden decreased by 10.5 per cent, which is the biggest percentage decline ever recorded. Since 2000, the total volume of letters has decreased by the very significant amount of 47.3 per cent. To a large extent, the major changes in the postal market are due to the ongoing digitalisation in society, which is resulting in changes to communications and patterns of consumption. The user surveys conducted by PTS indicate that the need for delivery of items of written correspondence five days a week is decreasing but that amongst the users, there is a continued need for a reliable letter service. Despite the societal changes, the Authority believes there will also be a continued need for a long-term, sustainable and good quality universal postal service, accessible throughout the entire country.

The two markets for postal services - the letter market and the parcel market - continue to develop in different directions and encounter increasingly diverse conditions. The Swedish postal service, PostNord continues to enjoy a strong position in the letters market. After a consistent decrease up to and including 2018, the trend was broken in 2019 and the market share for PostNord increased from 77.5 per cent to just under 80 per cent of the number of letters delivered. The largest current competitor to PostNord in the letter market is Citymail. In 2019, the market share for the operators shrank by a few percentage points to just under 19 per cent.

For the first time, PTS is able to provide an overall picture of the Swedish parcel market in this report, thanks to new opportunities for data collection under the EU Parcel Regulation¹ and the Swedish Postal Services Act.² Throughout 2018, 246.0 million parcels were distributed in Sweden, of which 31.4 million were destined for recipients in another country. In 2018, turnover in the parcel market was a total of SEK 15.9 billion, for which the domestic market represented SEK 8.8 billion. There is well-developed competition in the parcel market from the perspective of the provision of services. The rapid development of E-commerce leads to a market with a different competitive landscape and different dynamics to those of the letter market. However, in terms of geographical coverage, PostNord still holds a special position in both the letter and parcel market through its rural postal delivery service.

² Chapter 3, Section 5 (2) Swedish Postal Services Act (2010:1045)
During 2019, PostNord fulfilled, with good margins, the national level transit requirements within the universal postal service, as set out in the Postal Services Ordinance. PTS can conclude that the operational quality of the postal operators stabilised during 2018 and 2019 compared to previous years, which is reflected, inter alia, in a decreased number of complaints to both the authorities and to the operators. Given that the postal market and postal operators continue to face major changes, the overall goal for PTS regulatory operations is to monitor how the postal operators maintain their ability to plan and implement changes, as well as manage disruptions to their operations.

The European Postal Services Directive states that each Member State must undertake measures to ensure that the universal postal services are developed in response to the technical, economic and social environments, as well as to the needs of the users. PTS is taking part in the EU review of the Postal Services Directive and has emphasised the importance of a future postal regulation that ensures a basic postal service that is responsive to the needs of the users, while at the same time allowing for adaptation of the postal service at the national level, which will ensure a good postal service in all parts of the country.

In Sweden, PostNord has announced that the operator wants to test and evaluate an amended delivery model in a geographically defined area. In practice, the model means that the majority of letters will be delivered every other day. The operator has stated that the intention is to adapt operations to the new requirement of a two-day transit time, which the Government included in the Postal Ordinance on 1 January 2018. At the same time, the Government is announcing that it intends to launch a new review into postal legislation, for the purposes of reviewing the regulatory framework, given the changed needs of society for postal services. PTS views both initiatives as positive and as part of the work in creating the conditions for a nationwide, efficient, reliable and environmentally sustainable postal delivery, that will continue to be self-financed as far as possible. During 2020, PTS intends to continue to monitor the work of PostNord on testing an amended delivery model and to support the future postal legislation enquiry in its work.
1 The universal postal service is needed and meets the needs of the users

The digitalisation of society results in changes in communication and consumption patterns and continues to have a major impact on the Swedish postal market. The two markets for postal services - the letter market and the parcel market - have developed in different directions and encounter increasingly diverse conditions in which to maintain the service network, with decreased volumes of letters and increased volumes of parcels. During 2019, the volume of letters decreased by 10.5 per cent, which is the biggest decline ever recorded.

This trend creates the need for a review of postal market regulation. A discussion is underway within the EU regarding the need to review the EU Postal Services Directive and in Sweden, discussion is underway on a review of the Swedish Postal Services Act, so that the requirements set out for the universal postal service are better adapted to the changing needs of the users. The changed needs are different in different parts of the country and it is important to ensure the provision of a good postal service in rural and sparsely populated areas, where there are fewer options for the users.

Despite the changed needs of society, PTS believes that there will be a continued need for a long-term, sustainable universal postal service of good quality, accessible throughout the entire country. Given this, PTS has appointed PostNord as the licenced provider of the universal postal services from 1 April 2020 until 31 March 2022.

Since 2018, PTS has the power to pass regulations on how the requirement for delivery of postal consignments is to be fulfilled within the universal postal service, and at PTS, there is currently a review underway regarding where delivery of postal services should take place within the universal postal services of the future. Key starting points for the work include the increased E-commerce, an acceleration in the transition from written to digital correspondence, the user demand for flexible delivery solutions that are customised to the recipient, the possibility of using regulation to create options for a complement to the delivery of consignments via agents, coordination of transportation for an increased and environmentally sustainable service, and the continued need for an appropriate service available for sending items of written correspondence.
1.1 PTS surveys that map the needs of the users demonstrate that needs have changed but that a reliable postal service is still important to society

PTS is responsible for the monitoring and analysis of trends in the postal market and conducts, inter alia, user surveys on the needs of the users for postal services. In several comprehensive studies that have been carried out since 2016, the Authority has mapped the need for postal services of different user groups and has published three reports on the subject in the past year:

- Use of postal services by the population 2019 (PTS-ER-2019:9)
- Need for postal services in rural and sparsely populated areas 2019 – a qualitative study (PTS-ER-2019:19)
- Society’s need for postal services - a qualitative study of the consequences for large senders with changed frequency of delivery (PTS-ER-2019:25)

Overall the results of these studies point in the same direction: The need of society to receive and send letters and parcels continues to change as a result of digitalisation.

The Authority has firstly mapped the need for postal services of private individuals and small business, and secondly, the needs of the senders for postal services, with a focus on the authorities and large companies that send and receive large quantities of letters. PTS sees it as important to map the current and future needs of both the senders and the recipients in the design of a long-term, sustainable and appropriate universal postal service. The Authority can conclude that the different user groups have a continued need for a universal postal service in accordance with the points listed below.

The needs surveys conducted by PTS show that society needs to ensure that in the future users such as small businesses, the elderly, groups that are socioeconomically vulnerable and those who require physical consignments, continues to have access to postal services that correspond to their needs, are reliable and maintain good quality. The users are relatively satisfied with how the current postal services correspond to their needs but there is some concern regarding changes and how they are communicated.

- Increased E-commerce gives rise to new needs. The users demand increased coordination between parcel delivery service providers, for example with respect to delivery sites, more flexible delivery solutions and expanded joint distribution and collaboration in terms of the delivery of items to rural and sparsely populated areas. In many cases, service coordination is more important than proximity if the latter
means that the recipient must travel to several different delivery sites to pick up their consignment.

- Predictability and reliability of delivery are often more important than speed.
- Individuals lack information about certain features and services offered. These may include, inter alia, the home delivery of parcels via the PostNord rural mail delivery service, as well as extended postal services for the elderly and disabled in sparsely populated areas.
- Authorities and companies state that they have an ongoing need for a reliable letter service but not necessarily with delivery five days a week. There is also a continued need to be able to send and receive items of written correspondence quickly. Companies need fast, cost-effective and flexible deliveries, in particular in the event of unforeseen incidents.
- Large companies are better equipped to manage a transition from written to digital correspondence than the public sector and small businesses, in particular in sparsely populated and rural areas.
- Authorities are concerned about how they can best clearly communicate how changes to the letter service might impact the administration lead times. This will impact inter alia, socioeconomically vulnerable groups that are largely dependent on letter services. For example, changes in the frequency of delivery imposes requirements for further development of digital services.
- In the event of changes to the postal service, it is important that PostNord informs customers and the public in a timely and easily understandable manner about what the actual consequences will be for users of postal services. For example, this may involve clarification of the time it will actually take for an item to arrive in the event of a changed frequency of delivery.

1.2 PTS considers it to be a positive initiative for PostNord to test an amended delivery model

PostNord has the intention of testing an amended postal delivery model. Given the changes that are occurring in the postal market, PTS views it as fundamentally positive that PostNord is adapting its operations to meet current needs and conditions within the framework provided by current postal legislation and regulations.

Under the current regulatory framework, PostNord is under a general obligation to deliver letters every weekday. The new delivery model largely means that PostNord is adapting its distribution process in relation to the
quality requirements for letters delivered within two days after posting in section 6 of the Postal Ordinance (2010:1049). PostNord has indicated that the operator has the intention of reducing the frequency of delivery for certain consignments through the proposed delivery model, for the purpose of lowering costs and simultaneously being able to achieve the quality requirements for the universal postal services.

Given the information regarding the amended delivery model for PostNord that PTS has received to date, PTS has made the assessment that the model is consistent with the postal legislation requirements that the universal services must guarantee delivery on at least five business days of the week.\(^3\)

PTS considers it to be important that changes to PostNord operations are very well prepared, in order to avoid disruptions that may affect the ability of PostNord to meet requirements on reliability or other requirements imposed on PostNord as a postal operator and appointed universal postal services provider. Therefore, it is important for PostNord to test the amended delivery model within a geographically defined area before the operator implements the model on a broader scale. The tests should then be followed by a thorough evaluation of what the consequences of a changed frequency of delivery will be for the senders and recipients concerned, as well as for PostNord.\(^4\)

In communications with the operator, PTS has particularly emphasised the importance of PostNord providing feedback to PTS during its ongoing test planning in order to clarify the following points:\(^5\)

**Preparatory risk analyses**

- Which risk analyses will be conducted by PostNord ahead of the pilots in order to ensure reliable postal activities during testing.
- Which simulations or equivalent will PostNord be conducting in order to ensure that the tests can be implemented without adverse consequences for the users.
- Which support resources will be available for PostNord staff in the areas involved, both before and during the tests.

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\(^3\) PTS assessment of the PostNord proposal for a new delivery model in relation to the requirements in the postal regulatory framework, ref. no. 18-21091-10.

\(^4\) Letter to PostNord regarding the need for evaluation after testing of new delivery model, ref. no. 18-21091-17.

\(^5\) Ref. no. 18-21091-4.
Communication

- How information and communication will be conducted before and during the tests, firstly with directly involved senders and secondly with other stakeholders and the public.
- How PostNord will identify and communicate with particularly critical user groups.

Monitoring

- How will monitoring of the tests be carried out and documented with respect to:
  - reliability and transit times
  - customer and recipient opinions, as well as complaints that can be linked to the tests and
  - technical production and financial consequences of the tests
  - consequences of the tests for both sender and recipient customers for example, via surveys to affected groups after the pilot period.

During the year, PTS will continue to monitor the work carried out by PostNord on tests of the new delivery model.

1.3 The EU is reviewing the Postal Services Directive in order to better ensure the current and future need for postal services

Like the Swedish letter market, the European letter market is characterised by rapidly declining volumes with respect to consignments of items of written correspondence, while there is strong growth in the market for consignments of goods. As mentioned above, based on the user surveys, PTS has seen clear indications that the needs of the users of postal services have changed. They are deviating more and more from what can be ensured through the current provisions of the Postal Directive (97/67/EC) of 1997, which took its starting point in the prevailing conditions at the beginning of the 1990s. The EU Commission has initiated work on a proposal for a new Postal Directive. For this reason the European regulatory organisation ERGP, of which PTS is a member, has developed a position on the issues that must be addressed in the Directive review undertaken by the Commission. In this work and in the work to come, PTS particularly highlights a number of fundamental standpoints.

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PTS believes that the future regulation in the postal area must be based on both the current and future needs of the users. The general problem areas - such as the range of postal services available in sparsely populated parts of the country - that can be identified in order to ensure the needs of the users, must constitute the basis for the future universal postal services. Furthermore, PTS believes that the future European regulation must allow adequate flexibility at the national level, in order to be able to accommodate the fact that the needs and market offering differ in different Member States and also in different parts within each Member State.

One issue that is of particular importance involves the frequency of delivery, for which the current Postal Directive prescribes that delivery must occur at least five days per week. This is no longer a sustainable requirement, given the increasing difficulties in providing postal services in an environment of sharply declining letter volumes in an increasingly digitalised society. Another issue that is important in a Directive review is that the basic definitions (for example, what constitutes a postal service) are reviewed to ensure they are both clear and appropriate. This is illustrated, inter alia, by the circular reasoning found in the current definitions in the Postal Directive; in order to be a postal item, the item must be transported by a postal service provider, whilst a postal service provider is a party that offers services handling postal items. For example, in order to work as a useful definition, in a future regulation that clarifies what is post and what is not post, the definition of a postal item needs to be unambiguous and independent of who is transporting the consignment.
2 Reliability, service and quality continue to form the cornerstones of the universal postal service

2.1 Measurement of transit times throughout 2019 indicate that PostNord has met the requirements with good margins

An important part of quality monitoring in the postal market is the measurement of the percentage of single domestic letters that are delivered on time in accordance with the provisions contained in section 6 of the Postal Ordinance. The regulations stipulates that a minimum of 95 per cent of the domestic letters that have been handed in for delivery within a two-day transit time, and which were posted on time, must be delivered within two subsequent business days, irrespective of where in the country the letters were posted. Up to and including 2017, the requirement was for a minimum of 85 per cent of the domestic consignments that were posted for overnight delivery, and which were handed in on time, to have been delivered on the following business day and 97 per cent within three business days. In practice, currently only stamped letters are subject to the quality requirement, because as a general rule, postage meter franking and port payé are posted for overnight delivery.

Kantar Sifo has been commissioned to measure transit times at PostNord on an ongoing basis. Measurements for 2019 indicate that PostNord has been operating with good margins, well above the requirements of the Postal Services Ordinance that a minimum of 95 per cent of single domestic letters must be delivered within two business days. This applies to both the whole year and for each individual month. This means that at the national level during 2019, PostNord has complied with the transit requirements within the universal postal services in the Postal Services Ordinance.
As illustrated in Figure 1, the measurements indicate that on average, PostNord delivered 97.7 per cent of the letters intended for a two-day transit on time at the national level (the corresponding figure for 2018 was 98.6 per cent). The lowest percentage measured, of letters that were delivered on time, in a single month, was 96.4 per cent and the highest was 98.5 per cent. December is usually the month that provides the lowest result due to the significantly increased quantity of items posted during Christmas.

At the regional level, the measurements indicate that PostNord has exceeded the requirements of the Postal Services Ordinance with good margins across all parts of the country except for one case. Sundsvall is the only one of the nine PostNord areas covered by a sorting centre that did not achieve up to 95 per cent during all three-month periods in 2019. For the measurement period from April - June, Sundsvall had the lowest result at 92.2 per cent.

The term area covered by a sorting centre refers to the region that each sorting facility serves. The outcome for each sorting centre area refers to the quality of shipments sent from all over the country to the respective sorting centre area. Therefore, a delay may have occurred at any of the points from posting to delivery. The overall outcome does not provide an answer as to where in the distribution chain a possible disruption has occurred. When the geography is divided into smaller areas - in this case into areas covered by a sorting centre – the measurement accuracy is not as high as with a larger selection. This is because the number of test letters is significantly lower per area compared with Sweden as a whole. In order to achieve acceptable statistical accuracy in the measurement of outcomes, the outcome per area covered by a sorting centre is reported per rolling three-month period rather than per individual month.
However, the results for the Sundsvall region improved during the last months of the year and were above the required level for the three final three-month periods. The corresponding highest outcome per area covered by a sorting centre and three-month periods was when PostNord delivered 99.42 per cent of the letters on time.

2.2 The complaints filed by the users constitute an important basis for the operators in their processes for operational development

The complaints filed with the postal operators and PTS by the users provide important information about how the postal market functions and how well the postal services are meeting the needs and expectations of users. Effective complaint handling is also necessary to provide users with the opportunity to report defects and to request rectification. Complaints handling is therefore also an important basis for the operators' efforts to improve their processes and services. The fact that the complaints handling in such a way systematically supports the other areas for improvement work by the operators can be considered a prerequisite for operators to be able to deliver services in a reliable manner that meets the expectations of the users.

2.3 Fewer complaints were received by PTS in 2019, however there were more received than before 2016

Between 2018 and 2019, the number of telephone calls, letters and emails from postal service users (collectively referred to as enquiries) received by PTS has decreased by just under 23 per cent. During 2019, PTS received 1,614 enquiries, which can be compared to the 1,996 enquiries received during 2018. However, the complaints are still at a higher level than before the quality problems at the operators started to increase in 2016. Approximately 90 per cent of the enquiries to PTS represented complaints or opinions, while the remainder consisted of other issues. Of the complaints received, approximately 70 per cent could be linked to PostNord and 10 per cent to Citymail.

The most common reason behind why the public makes contact with PTS is because they have noticed shortcomings in postal delivery or in one of the steps of the parcel delivery process. The problems associated with postal delivery are primarily related to items that have not arrived for some reason, have been delivered too late or the recipient has mistakenly received a letter addressed to someone else. With respect to complaints regarding parcel
delivery, during 2019 the complaints were largely concerning deficiencies in the handling of postal consignments by PostNord that had been sent from countries outside the EU, as well as a number of different problems related to the PostNord notification system.

2.4 Postnord receives fewer complaints

Postnord differentiates between complaints and customer opinions. Customer opinions include all forms of consumer reactions and is a collective term used to refer to complaints, ideas and praise. Claims relate to complaints about specific services that are included in the range of services offered by PostNord, for which customers can claim compensation under certain conditions if PostNord has not fulfilled its obligations under the specific product and service conditions.

Figure 2 - Number of complaints received and customer opinions sent to Postnord in 2019 and 2018

As shown in the figure above, PostNord registered a total of almost 133,000 complaints and customer opinions in 2019. Of these, 74,285 were complaints and 58,700 were customer opinions. Approximately 2,200 of the customer opinions were ideas and praise while the remainder were complaints.

Between 2018 and 2019, the number of customer opinions decreased by 7 per cent and the number of claims to PostNord decreased by just over 5 per cent. Overall the number of claims and customer opinions decreased by
approximately 6 per cent between 2018 and 2019. Although the volume of
letters continued to decrease during 2019, the percentage of customer opinions
by letter remained\textsuperscript{9} as high in 2019 as they were in 2018. In other words, the
customer opinions sent to PostNord decreased at the same rate as the decrease
in the volume of letters.

\textbf{Figure 3 - Claims and customer opinions sent to PostNord
(formerly Posten) 2000-2019}

Although the number of claims sent to PostNord decreased overall in 2019,
the relative proportion increased (claims/postal items\textsuperscript{10}) for some of the
PostNord services. The increase was primarily in the percentage of claims per
international letter but there was also a slight increase in the percentage of
claims for domestic letters. However, during 2019, the relative proportion of
complaints for the domestic and international parcels categories decreased,
despite an increase in the number of consignments. This constituted a break in
the trend in the domestic parcels category, as the percentage of claims per
consignment has increased since 2016.

In relation to the total number of postal consignments\textsuperscript{11}, the total number of
customer contacts at PostNord in 2019 is at approximately the same level as
for 2018. However, in this context it should be mentioned, that the percentage
of claims and opinions is still at a significantly higher level than before the
escalation of quality issues began in the postal market in 2016, which is
illustrated in Figure 3.

\textsuperscript{9} Measured in customer opinions per 100,000 letters.
\textsuperscript{10} Measured per 100,000 consignments or per 100,000 parcels.
\textsuperscript{11} The term postal consignment refers to addressed items that weigh no more than 20 kg.
The decreased number of claims for domestic parcels during 2019 may be a factor that contributes to the shortened processing times at PostNord for these cases. The processing time for domestic parcels was shortened significantly in 2019, from an average of more than 26 days in 2018 to just over 14 days in 2019. By contrast, the processing time for international parcels increased from just over 23 days in 2018 to 27 days in 2019, despite a decrease in the number of claim cases. With regard to the processing times for claims concerning letter services, the processing time for international parcels decreased from an average of 19 days in 2018 to 18 days in 2019. The processing time for claims concerning domestic letters increased from three days in 2018 to just over four days in 2019.

2.5 Decreased number of complaints regarding Citymail
Citymail differentiates between complaint cases and information cases. Complaint cases concern, inter alia, missing or incorrectly delivered post. Information cases include cases such as information about access codes or change of mailbox location, etc. During 2019, Citymail received 11,183 complaint cases. This represents a decrease of just under 26 per cent compared to 2018, when the number of complaints received was 15,232.

Reasons behind the sharp decrease in the number of complaints may be, firstly, that the volume of letters for Citymail decreased in 2019, and secondly, that the previous cooperation between the operator and the morning newspaper distributors was discontinued to a large extent in 2019. However, the percentage of complaints per consignment\(^\text{12}\) for Citymail measured relatively has decreased and the decrease in the number of complaint cases is thus greater than the decrease in volumes sold.

2.6 Supervision of the postal market by PTS in 2019 – focus on operator risk analysis work
Supervision by PTS is for the purpose of verifying that the postal operators are fulfilling the requirements of the Swedish Postal Services Act, the Postal Services Ordinance and the licence conditions as notified under the Swedish Postal Services Act. Due to the quality issues in the postal market in previous years, in recent years PTS has targeted its supervisory work primarily towards addressing the delivery problems that are mainly at PostNord and Citymail. For the same reason, the supervision by PTS has also been targeted towards

\(^{12}\) Measured in complaints per 100,000 letters.
monitoring how the operators design and allocate resources for their customer service operations.

The assessment of PTS for 2018 and 2019 is that the quality of the operations of the postal operators has stabilised compared to previous years. This is reflected in, inter alia, that the number of complaints received by the authority and the postal operators has decreased compared to 2017. That the quality has stabilised can be explained, inter alia, by the fact that the major operators, PostNord and Citymail, have employed more staff and have clarified and more thoroughly evaluated central production processes, and that these measures have had a full or partial intended effect. At the same time, it is important to emphasise that although the number of complaints is lower than before, they are still at a high level compared to the time before the escalation of quality issues began in 2016.

Given the major changes that the postal market and postal operators continue to face, the overall goal for PTS regulatory operations is to monitor how the postal operators maintain their ability to plan and implement changes, as well as manage disruptions to their operations. This is reflected in several of the supervisory activities undertaken by PTS in 2019. A selection of these activities and measures is reproduced below.

### 2.6.1 Supervision of Citymail deliveries in Uppsala

In January 2019, PTS introduced the supervision of Citymail as a result of a number of reports received by PTS and media reports on shortcomings in parts of the delivery operations in Uppsala. According to Citymail, the problems were caused by a reorganisation in which three delivery offices were merged into one office in new premises. Complaints received by PTS testified that post to recipients in certain delivery areas had been delayed by several weeks. Within the framework of the supervisory case, PTS requested that Citymail provide PTS with its risk analyses and questioned Citymail with regard to how these were being employed in the organisational changes.

It was evident from the response by Citymail to PTS and the progress reports submitted to the Authority on an ongoing basis, that during January to March 2019 Citymail undertook a number of measures. Such measures included the reallocation of Citymail staff to the office concerned and the recruitment of a number of new employees. Citymail also stated that the general work on risk analysis conducted by the operator was further developed, partly as a result of the problems arising in Uppsala. Furthermore, Citymail introduced a new

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13 Ref. no. 19-271.
management structure, which according to Citymail facilitates increased control over major organisational changes.

Based on the response received from Citymail in the supervisory case and the progress reports, PTS could establish that Citymail had addressed the delays in the areas concerned. PTS also saw that the number of complaints to the authority concerning the problems in Uppsala decreased sharply and since February there were very few complaints received by PTS from the areas concerned. Thus, PTS could close the supervisory case.

2.6.2 Supervisory visits to three Citymail delivery offices

During 2019, Citymail reinstated its local letter sorting at a number of the operator’s delivery offices in order to strengthen the operational quality. For the purpose of monitoring the ability of Citymail to plan and implement changes, as well as handle disruptions to its operations, during autumn 2019 PTS carried out supervisory visits to three of the Citymail offices that were subject to the reorganisation. The overall assessment of PTS following the supervisory visits was that Citymail has implemented the transition to local sorting in an appropriate manner and that the operations at the three delivery offices can be considered as fulfilling the reliability and privacy requirements under the Postal Services Act (2010:1045), as well as under all applicable licensing conditions.

2.6.3 Supervision of the handling of new rules by PostNord regarding consignments of goods from third countries

In 2018, PTS introduced supervision due to the new handling of customs and VAT by PostNord for consignments of goods from third countries. The purpose of the introduction of both supervisory cases was primarily to monitor the initial phase when PostNord introduced new procedures and built up its customs and VAT handling.

The supervisory cases were closed by PTS in 2019, given the assessment that the measures taken by PostNord had resulted in the intended effect with respect to the reliability of customs and VAT handling itself. PTS could also conclude that the number of complaints received by the Authority regarding customs and VAT handling had decreased sharply since the peak during the period from March - May 2018. Furthermore, PTS noted that there were still some continued problems that were linked to the distribution and notification of consignments from third countries. However, the Authority assessed that the remaining problems were not primarily directly linked to the customs and

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14 Ref. no. 19-11632, ref. no. 19-11771, ref. no. 20-1762.
15 Ref. no. 18-6797, ref. no. 18-6798.
VAT handling itself, but rather originated from a general problem linked to the reliability of domestic letter transit times. One such example may be when a consignment does not reach the recipient, despite the fees having been paid or problems associated with shortcomings in the PostNord notification system.

PTS’ continued supervision and monitoring of shortcomings associated with customs and VAT handling by PostNord, will therefore be carried out within the framework of the Authority’s existing regulatory efforts focused on Postnords reliability and complaints procedure.

2.6.4 The supervisory cases concerning changes to postal delivery

During 2019, PTS closed a number of supervisory cases after having investigated the actions of PostNord in connection with attempts by the operator to get post recipients to fix defects in mailbox apertures in apartment blocks, or to introduce postbox collection instead of single mailboxes in residential areas with detached housing. PTS closed all cases, which means that in some of the cases, PTS considered that PostNord had support for its requests under the Swedish Postal Services Act and the PTS general guidelines on postal delivery (PTSFS 2008:6) and in several cases, because the post recipients had fixed their mailbox facilities of their own accord and in line with the PostNord specifications.

In the cases concerning the transition to box collections in two housing associations in Hovsta outside Örebro, PTS considered whether it would be reasonable to require Postnord to obtain the consent of post recipients before implementing changes in residential areas with detached housing, when it is not required in other types of areas, such as outside urban areas. Given that the volume of letters is decreasing and the need for new forms of delivery is increasing, PTS made the assessment that is primarily the dialogue with the post recipients that is important ahead of a change in postal delivery in an area. PostNord should have good long-term planning in its communication with the recipients and the operator must take the wishes of the recipients into account as far as possible. As long as PostNord acts in accordance with the requirements of the Swedish Postal Services Act and other recommendations in the PTS general guidelines on postal delivery, PostNord will thus have the opportunity to implement changes to postal delivery in urban areas with detached housing, even if the recipients do not give their consent.

16 Ref. no. 18-5007, ref. no. 18-5513, ref. no. 18-3642, ref. no. 19-3562, ref. no. 19-3563, ref. no. 19-3564.
17 Ref. no. 19-3562, ref. no. 19-3563.
2.7 Few amendments to new licensing conditions for postal operators

In 2020, PTS issued new licensing conditions for the postal operators. The new licensing conditions apply for the period from 1 April 2020 to 31 March 2022.

For PostNord, the new licensing conditions mean that PTS will continue to appoint PostNord as the provider of the universal postal service. The PostNord licensing conditions also contain several amendments. One amendment relates to the obligation to which PostNord is subject, to publicly disclose negotiated prices and terms. The amendment involves that services that are intended for postal consignments other than items of written correspondence and that contain goods with or without commercial value, are exempt from the specifically specified requirements in the licensing conditions concerning the reporting of prices, discounts and terms. The amendment is being implemented as PTS assesses that it is not commensurable to regulate how PostNord is to provide information for example, about negotiated discounts for letter services intended for goods transit, as these consignments are competing in a market other than items of written correspondence (see more in section 3.2.2). However, there is a continued need for regulation in the letter market and therefore, the more specific requirements for services for items of written correspondence remain.

In the new licensing conditions for both PostNord and Citymail, PTS has brought the date forward by which the operators have to publish information on the number of complaints that were received in the previous calendar year. The Authority has now set the new date as 20 February instead of 30 April as previously. The purpose is primarily to facilitate timely access to the complaints statistics by PTS before the annual reporting in the form of the Swedish Postal Market Report to the Government in the middle of April.

For other postal operators, this means no amendments to the new licensing conditions compared to the previous conditions period.

2.8 Slightly fewer households without 5-day delivery in 2019

A fundamental requirement of the universal postal service that is provided by PostNord, is that post must be able to be delivered to all recipients in Sweden every weekday, irrespective of where in the country they live. However, exemptions to this five-day delivery may be made because of specific circumstances or geographical conditions, which the licensing authority approves. Since the 1990s, it has been a political objective that the number of
households without five-day delivery should not increase. During the 1990s, 1,600 households did not have five-day delivery.

The exemptions have decreased slightly in 2019. At the end of the year, the number of households in Sweden with less than five delivery days per week was 1,293. This is 47 fewer households than at the corresponding time in 2018.

2.9 The number of letters that cannot be delivered to the correct address has increased

The letters that the postal operators for some reason cannot deliver to the correct recipient (addressee) are referred to as “undeliverable”. A letter can be undeliverable for several reasons for example, it is incorrectly addressed, missing a sender, no valid forwarding or inadequate meter franking. Undeliverable letters should be returned to the sender, if possible, but if the sender is not known, the letters should be sent to the PTS unit for missing letters for handling.

During 2019, there were 348,329 undeliverable letter mail items received by the PTS unit for missing letters, of which 23 per cent could be either sent to the recipient or back to the sender. This is comparable to 2018 when 325,432 items of undeliverable mail items were received by PTS, of which 23 per cent were cleared up. The number of undeliverable letters has increased by 7 per cent between 2018 and 2019. Despite the volume of letters continuing to decrease in general in Sweden, the proportion of undeliverable letters that are sent to PTS is increasing.20

One explanation for the increase is the PostNord initiative “correctly paid”, which means that a letter mail item that has not been correctly meter franked, and which has not been collected by the recipient, will be passed on to PTS. PTS is in a dialogue with PostNord about effects and measures as a result of this handling. In addition, one of the main reason why letters become undeliverable, just as in previous years, is because many addresses are incorrect and the letters have no indication of who the sender is.

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19 At the PTS unit for missing letters, the letters are opened in order to try to establish who the sender is, in order to then return the letter to the sender. Letters that cannot be returned immediately are recorded and archived for three months, including the current month. This is so that the letter can be searched for by sender or recipient. After three months, the consignments are destroyed or donated to charity. Read more on www.pts.se.
20 Calculated per 100,000 letter mail items, 19 of which were sent to PTS in 2019. The equivalent figure for 2018 was 16.
3 The development of the postal market with fewer items of written correspondence and more consignments of goods

The postal market is traditionally divided into two parts - the letter market and the parcel market. The main function of the letter market is providing the physical distribution of mail items with communication content (items of written correspondence), while the function of the parcel market is to satisfy the need for the distribution of goods and other physical items.

The letter market includes the distribution of addressed mail items weighing a maximum of 2 kg\(^{21}\). To regularly distribute letters for payment requires a permit, according to the Postal Services Act.

With regard to the parcel market, there is some confusion around concepts in both regulation and market practice, with regard to what is a “parcel”. There is no definition of parcel in the Swedish Postal Services Act, but in practice, they have been classified as postal consignments of up to 20 kg that are not letter mail items. As the parcel market is becoming increasingly more important to society, such conduct is not sustainable. One step on the path towards greater clarity is the definition that was introduced at the EU level under EU Regulation 2018/644 on cross-border parcel delivery services. According to this, a parcel is “a postal consignment other than an item of written correspondence, which contains goods with or without commercial value and that weighs a maximum of 31.5 kg”. This means a significant difference against the definitions of letter mail item and postal consignment in the Swedish Postal Services Act, firstly through the fact that the differentiation is made on the basis of the content of the consignment, secondly that the weight limit is 31.5 kg instead of the 20 kg for postal consignments under the Swedish Postal Services Act.

Unless otherwise specified, the sections below are based on the definition in the EU Postal Services Directive, i.e. that a parcel is defined as a consignment of goods that weighs a maximum of 31.5 kg. This means that smaller parcels, for example the PostNord Varubrev (light goods mail item), the Citymail brevlådepaket service (mailbox parcel service) and the Early Bird Postlådepaket service (small parcel service) are described here as parcels, although at the same

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\(^{21}\) As defined in Chapter 1 section 2 of the Swedish Postal Services Act, a letter is: an addressed mail item that is enclosed in an envelope or other type of covering and weighs a maximum of 2 kg and also includes postcards, cards and similar mail items.
time according to the definition in the Swedish Postal Services Act and in the regulatory sense, they are letter mail items.

3.1 The letter market has decreased by just over 10 per cent in 2019

The letter market, both in Sweden and abroad is being affected by changed communication needs as a result of the digitalisation of society. Communication via different digital channels is increasing amongst an increasing number of companies, authorities and individuals. One example of such a channel is the digital mailboxes, the development of which is reported below in section 3.1.5. The effects of digitalisation are being felt in both volume trend and the competitive landscape in the letter market, which are reported in the respective sections 3.1.1 and 3.1.2. In turn, the changed demand landscape has an impact on the market prices, which is illustrated in section 3.1.3. PostNord compliance with the price increase ceiling provisions of the Postal Services Ordinance is reported in section 3.1.4.

3.1.1 Volume trends in Sweden

In 2019, the volume of letters in Sweden was 1.8 billion letter mail items and the letter market turnover totalled SEK 9.1 billion. Just as in 2018, the number of letter mail items decreased during 2019 by just over 180 million consignments from the previous year. This is equivalent to 10.5 per cent and is the biggest percentage decline ever recorded. Since 2000, the total volume of letters has decreased by 47.3 per cent. More information is included in Table 1 and Figure 4.

Table 1 - Number of letters in Sweden 2015-2019 and in 2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of letters (millions)</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3,426.3</td>
<td>100</td>
</tr>
<tr>
<td>2015</td>
<td>2,312.5</td>
<td>67.5</td>
</tr>
<tr>
<td>2016</td>
<td>2,273.1</td>
<td>66.3</td>
</tr>
<tr>
<td>2017</td>
<td>2,201.8</td>
<td>64.3</td>
</tr>
<tr>
<td>2018</td>
<td>2,018.4</td>
<td>58.9</td>
</tr>
<tr>
<td>2019</td>
<td>1,805.5</td>
<td>52.7</td>
</tr>
</tbody>
</table>
Trends for 2019 have been characterised by a dramatic decline in the first half of the year but the rate of decline decreased towards the end of the year. In the fourth quarter, the annual rate of decline\(^2\) was down below 7.5 per cent for both PostNord and its biggest competitor, Citymail. This can be compared to the equivalent figures for the second quarter of the annual rate of decline overall for both of the operators, which was close to 12 per cent. It is too early to assess whether the decreased rate in the decline in the volume towards the end of the year is sustained or a temporary stabilisation but from the full year perspective, the decline throughout the year is exceptional.

**Figure 4 - The annual change in the volume of letters from 2010-2019 as a percentage**

\(^2\) Comparison of the volumes in the fourth quarter of 2019 to the same quarter in 2018.
3.1.2 The competitive landscape - continued strong position for PostNord in the letter market

PostNord has continued to hold a very strong position in the letter market since before the liberalisation in the 1990s. The market share for PostNord declined on an ongoing basis until 2018 but this trend was broken in 2019. The PostNord market share increased from 77.5 per cent to just under 80 per cent of the number of letters delivered, although the operator continued to lose volumes in substantial quantities. This means that the decline in volume for PostNord was significantly lower than the 10.6 per cent that was lost by the market as a whole on the letter side.

Citymail is currently the biggest competitor to PostNord. The volume of letters for Citymail decreased in 2019 and the market share for the operator totalled just under 19 per cent compared to just over 19 per cent in 2018. During the year, Citymail announced a transition to delivery every fourth day with an increased focus on quality, while to a large extent the earlier collaboration with the morning newspaper distributors was discontinued. This primarily led to the morning newspaper distributors losing just under half of the just over 3 per cent of all letter mail items they had delivered in 2018. Instead of delivering only traditional letters in collaboration with Citymail, the morning newspaper distributors ventured into distributing consignments of goods from E-commerce under the joint brand, “Early Bird”. In addition to the 10 morning newspaper distributors, there are 12 more operators with regional or local delivery service operations. Overall, these 22 smaller operators accounted for just over 2 per cent of the letters delivered. In total, 27 operators were licensed to run postal activities during 2019. See more information in Figure 5.

Figure 5 - Players in the letter market
Large bulk mail shipments (postal consignments of at least 500 letters) represent approximately 83 per cent of the Swedish letter market. Postnord and Citymail are the two main competitors in the bulk mail shipment market. Entry to the bulk mail shipment market requires relatively large investments for an operator that is seeking to establish itself in this market. This is because entry requires large volumes in order to achieve the economies of scale within a reasonable time that the established operators have. PostNord covers the whole of Sweden, while the Citymail delivery service operations reach approximately 54 per cent of all households/ recipients following the termination of the collaboration with local operators.

In practice, PostNord is the only postal operator for the nationwide transit of single letters. Given the low demand for the service, it has been more or less ruled out that any sudden competition will arise for nationwide single letters for consumers. At local level, the competition consists of just under twenty locally active postal operators with relatively small volumes.

In practice, PostNord has a monopoly on all nationwide mailbox post, i.e. letters that are posted to a mailbox irrespective of delivery priority. The marginal competition that exists is in relation to local post in a few locations. With regard to nationwide office mail (unsorted mail from companies and organisations), PostNord also has a very strong position. There is competition from the operator Mailworld Office, which is based on the business concept of collecting office mail and converting it to bulk mail shipments. Mailworld Office is currently an established player in the office post market and in 2019, the company collected more than 14 million bulk mail shipments. These have then been handed over to Citymail, PostNord or morning newspaper distributors for final delivery.

3.1.3 Decreased competition in the correspondence market in parts of the country

Figure 6 shows how the competition has decreased with regard to the geographical coverage since Citymail discontinued the collaboration with the local newspaper distributors in 2019 and 2020:
The green fields illustrate the areas in which Citymail continues to operate letter delivery services. The grey parts indicate which areas were discontinued during 2019 and up to 31 March 2020. Here it is apparent that the competition has decreased or disappeared entirely with respect to correspondence bulk mail shipments, including in the areas of eastern Skåne, parts of west Sweden, the areas adjacent to Mälardalen and in the region around Luleå in the north.

3.1.4 Lower volumes lead to higher cost of postage

Because the total volume of letters has decreased sharply but the cost of post distribution is largely fixed, the unit cost per letter delivered is increasing. An increasing unit cost leads to upward pressure on the prices.

On 1 January 2020, PostNord introduced a relatively sharp increase in its prices for both stamped letters as well as bulk mail shipment services for companies and organisations. A stamped letter (up to 50 grams) now costs SEK 11 (previously SEK 9). The prices for letter services for companies and other larger customers were increased by between 3.0 and 10.7 per cent, depending on the service.

However, Postnord is the appointed provider of the universal postal services and must take into account the rules on pricing contained in the Postal Services Ordinance and the Swedish Postal Services Act. The price increase ceiling, that is set out in Section 9 of the Postal Services Ordinance, was
amended by the Government as at 1 August 2019. The change meant that in addition to inflation, the price ceiling also provides additional room for increasing prices, based on the increased unit costs that arise from the decline in volume. Thus during 2019, PostNord had the opportunity to increase the current price of postage for stamped letter mail items by just over SEK 1. However, PostNord chose to wait until the start of 2020 to introduce the increase and could then also take the price ceiling into consideration, which was expected to apply in 2020 based on projected volumes. Based on data for the past two years, PostNord estimated the additional scope for price increases, and increased the charge for basic postage from SEK 9 to SEK 11.

In addition to determining the factor in the price ceiling that was used to calculate by how much the price ceiling would be raised as a result of the decline in volume, under Chapter 4, section 13 of the Swedish Postal Services Act, PTS exercised supervision of compliance with the rules of the Postal Services Ordinance. When PostNord kept the postage price for stamped letters unchanged in 2019, this was of course in accordance with the provisions. With regard to the increase that took place on 1 January 2020, it cannot be assessed against the provisions before the volume outcomes for individual services have been determined, which will be done no later than 30 June 2020.

3.1.5 Continued high growth in digital mailboxes

As PTS has highlighted in previous reports, the take up and use of digital mailboxes in the public sector is slow, although there were a number of new players added in 2019:

Table 2 - Public players connected as senders

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of public players connected as senders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Week 52, 2019</td>
</tr>
<tr>
<td>Authorities</td>
<td>52</td>
</tr>
<tr>
<td>Municipalities</td>
<td>60</td>
</tr>
<tr>
<td>Association of Municipalities</td>
<td>7</td>
</tr>
<tr>
<td>Regions</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
</tr>
</tbody>
</table>

23 Up to and including Week 8, 2020 there have been an additional five municipalities added.
During the year, DIGG (the Swedish Agency for Digital Government) took over the responsibility for the infrastructure My Messages, and the services My Government Mail and My Company Mail from the Swedish Tax Agency. With a focused mission to support and drive the digitalisation of the public sector, it can be expected that the development of digital mailboxes and government communication in these areas will escalate.

Looking at the players that are offering a digital mailbox to the general public and companies, Kivra is by far the largest player and it has also strengthened its position in 2019. By contrast, the public sector alternative My Government Mail (MMP citizen) has lost ground both in terms of the number of users connected, and the proportion of the total number of users connected. However, things look different for recipients in the corporate segment. Although both Kivra Business and MMP Business attract an increasing share of those connected, there is clearly a larger proportion of companies that have chosen the public option.

**Table 3 - Proportion of recipients connected to respective digital mailbox companies**

<table>
<thead>
<tr>
<th>Mailbox/“operator”</th>
<th>Proportion of connected recipients</th>
<th>Week 52</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMP citizen</td>
<td></td>
<td></td>
<td>9 %</td>
<td>11 %</td>
</tr>
<tr>
<td>Kivra citizens</td>
<td></td>
<td></td>
<td>90 %</td>
<td>86 %</td>
</tr>
<tr>
<td>Digimail citizens</td>
<td></td>
<td></td>
<td>1 %</td>
<td>2 %</td>
</tr>
<tr>
<td>e-Boks citizens</td>
<td></td>
<td></td>
<td>0.8 %</td>
<td>0.5 %</td>
</tr>
<tr>
<td>MMP companies</td>
<td></td>
<td></td>
<td>61 %</td>
<td>46 %</td>
</tr>
<tr>
<td>Kivra companies</td>
<td></td>
<td></td>
<td>39 %</td>
<td>54 %</td>
</tr>
<tr>
<td>Digimail companies</td>
<td></td>
<td></td>
<td>0.4 %</td>
<td>0.6 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of citizens</th>
<th>3,637,388</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of companies</td>
<td>115,148</td>
</tr>
</tbody>
</table>

Growth in the number of connected users remains high and during 2019, growth was at 24% for citizens and 19 per cent for companies.
Figure 7 - Trends amongst connected citizens

Similar to the previous year, PTS can conclude that tax returns and tax refunds increase the number of those connected to a digital mailbox during the current period.

Figure 8 - Trends amongst connected companies
During 2019, there were approximately 42 million messages sent within the public infrastructure for the secure digital mail, My Correspondence, which equates to an increase in volume of 46 per cent compared to 2018. In addition to this are the volumes sent outside the public sector infrastructure. For example, Kivra states that: “In 2019, there were approximately 100 million letters via Kivra.”

The growth in users and volumes within the secure digital mail infrastructure is only one indicator of the digitalisation of letter mail items. In many cases, communication by letter is being replaced by other electronic services, such as e-invoicing, apps or “My Pages”. It is also worth noting that a secure digital message often directs traffic to dedicated e-services at the sender, which in practice means that each message can replace a number of physical letters. Given that only a minority of the authorities, municipalities and regions in Sweden have the prerequisites for being able to send digital mail and that the number of connected individuals only equates to approximately 50 per cent of those who use Bank ID, it is reasonable to assume that in Sweden we will see an even more rapid drop in the volume in the physical post market in the next few years as a result of the increased digitalisation.

3.2 The parcel market is experiencing rapid growth

The market for the delivery of consignments of goods, commonly referred to as the parcel market, is undergoing major changes and is experiencing rapid growth. The growth is driven by the rapid growth in E-commerce that is a result of changed buying behaviour amongst consumers in the new digital landscape. For example, the European regulatory organisation, ERGP, has pointed out that the market is being transformed through the increasing influence of consumer preferences, from a sender-oriented market to a more recipient-oriented market. It is no longer the sender (the company selling) that exclusively chooses the delivery method and operator but the recipient to an increasing extent (the consumer purchasing), who chooses when, how and to whom the item will be delivered.

The change means that the traditional model of competition increasingly has played out its role, in which the operators compete on getting to deliver the goods by offering the trading companies (senders) good prices and terms, often through volume discounts. One example of this is an advertising campaign

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26 That is expected to total approximately 8.5 million in 2020, Source: https://www.bankid.com/assets/bankid/stats/2020/statistik-2020-01.pdf
run by the delivery company, Early Bird. It is targeted entirely towards the recipients who shop online, for them to choose the “right” delivery method and operator. Furthermore, new players such as Budbee and Airmee with personal handover and advanced tracking services have increased the range of options for the recipients, while the traditional companies such as PostNord, UPS, DHL and DB Schenker are trying to offer more flexible deliveries.

The changes are not only happening in Sweden but reflect a global trend. Amazon launched E-commerce early in the USA and their platform services that now include everything from online sales, warehousing, packing, transportation and final delivery, have spread around the world. For example, Amazon has established a proprietary delivery service operation in Italy and is building a large so-called fulfilment centre (distribution facility) for northern Europe in Poland. Large Asian E-Commerce players such as Ali Baba are expected to do the same thing and establish themselves in Europe. The vision is to represent the entire purchasing experience, i.e. the entire value chain from the point of purchase to delivery to the consumer. It is still too early to assess what the entry into the Swedish market of these providers and similar players market will look like or in which case, how they will further change the market.

3.2.1 The size of the Swedish parcel market and sub-markets

Under the EU Postal Services Directive and the Swedish Postal Services Act, PTS was able to collect of data for 2018 from parcel delivery service providers for the first time in June 2019. It was the assessment of the Authority that there were 22 companies that were required to submit information; all of those companies submitted responses. This means that for the first time, it is possible for PTS to provide an overall picture of the Swedish parcel market.

The PTS survey shows that there were 246.0 million parcels distributed in Sweden in 2018, of which 31.4 million were destined for recipients in another country. In Sweden there were 214.6 million parcels delivered to recipients. Of these, 32.2 million arrived from abroad (of which 8.7 million were from countries outside the EA/EEA countries). Thus, the domestic parcel market totalled 182.4 million parcels. See more in Figure 9.

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28 For example, see Strengnes Tidning 04/12/2019.
According to the survey, turnover for the Swedish parcel market totalled SEK 15.9 billion in 2018. The domestic market represented SEK 8.8 billion of these. On the international side, outgoing parcels represented SEK 4.6 billion in turnover, of which 39 per cent were intended for destinations outside the EU/EEA countries. The turnover for incoming parcels was SEK 2.5 billion, of which 28 per cent was related to consignments from outside the EU/EEA countries.

There is little doubt that the parcel market is growing rapidly, primarily through the increased E-commerce. However, due to the lack of data from previous years, PTS is not able to comment on the rate of growth in any detail. Based on the current data from a subset of the companies, PTS estimates that the market grew by at least approximately 6 per cent during 2019. However, there is a big difference in the growth between different sub-segments of the parcel market. One rapidly growing segment is the light goods consignments (up to 2 kg) that are delivered by postal operators to residences (Varubrev (light goods mail item), Postlådepaket (small parcels), etc.) in which the growth is over 20 per cent.

The domestic market can be further divided to several sub-segments. The corporate market consists of consignments from business to consumers (B2C) and business to business (B2B). These segments can also be added to the market for consignments from companies to all types of recipient (B2X). One
particular part of the B2C market consists of the rapidly-growing segment for light good consignments mentioned above, which are delivered by postal operators to the residence of the recipient. In certain cases, bulky consignments are left at the door or can be picked up from postal service agents after notification. The consumer market (B2C) consists of consignments that are sent by consumers, irrespective of recipient.

As is evident from Figure 10 below, the B2C market is the largest sub-market, representing a total of approximately 55 per cent of turnover for domestic parcels 0-20 kg. The traditional parcel services are represented by 46 percentage points, while 9 percentage points consist of light goods. The C2X market represents just over 2 per cent of the market turnover.29

Figure 10 - Submarket share of the domestic parcel market 2018

3.2.2 The competitive landscape varies depending on sub-market

The parcel market in Sweden has never been particularly closely regulated, with the exception of the obligations of PostNord as provider of the universal postal services. The reason is that there is well-developed competition that has emerged in many areas of the market. Given the rapid development of the parcel market and the different competitive landscape and dynamics compared to the letter market, PTS considers it important that this difference is reflected in the regulatory issues. The basis for PTS is that regulation will only take place

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29 The data has been produced by PTS through the compilation of data from the studies based on the Parcel Regulation mentioned above and a one particular, more detailed study from 2018 on the activities of the major parcel companies with respect to parcels from 0-20 kg.
when justified for market reasons and that it must be proportionate. In principle, companies that are active in the parcel market, irrespective of whether they are postal operators that are licensed to run postal activities or only run parcel activities that are not subject to licensing, should have as similar regulatory conditions as possible. For example, PTS is now collecting data in a similar manner from all of those who are active in the parcel market. Another example, is the change made by PTS to the 2020-2022 licensing conditions for PostNord. In these, services intended for consignments of goods are excluded from the requirements specified in the licensing conditions, relating to the reporting of prices, discounts and terms that are designed for bulk mail shipments services (see section 2.1.7 and the description of the competitive landscape below).

**Figure 11 - Players in the Swedish parcel market**

The analysis by PTS shows that in total for the whole market (domestic and international combined), there is no one distributor that accounts for more than half of the market turnover. The biggest is PostNord, with just over 40 per cent. The second largest but the most active in the international market is United Parcel Service (UPS) with just over 20 per cent of the total parcel market. This is followed in size by a couple of operators with approximately 10 per cent each: Schenker and DHL. Six companies have a market share of between 1 and 5 per cent: TNT, Fedex, DSV, Jetpak, Best Transport and Bring Parcel. In addition to these, there are an additional eleven companies represented with a market share of less than one per cent: Bussgods, Asendia, Citymail, Pressens Morgontjänst, Västsvensk Tidningsdistribution, Point

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DHL runs its parcel activities in Sweden in two different companies, DHL Freight and DHL Express. In this compilation these are reported together.
Logistik Gota Media, Svensk Hemleverans, Prolog, Nim Distribution, Hall Media Distribution and Svensk Hemleverans Norr (formerly Norrbottens Media Distribution (now renamed to Svensk Hemleverans Norr). See Figure 11.

The domestic and foreign markets differ significantly in their market structure. For example, PostNord is significantly larger in the domestic market than in the international market, where it is not the largest distributor. PostNord has a domestic market share of just under 60 per cent, calculated in terms of turnover. Schenker and DHL follow, with approximately 15 per cent each. Four companies have market shares of between 1 and 3 per cent: DSV, Best Transport, Bring Parcel and Jetpak. The 14 other operators each have less than one per cent of the market and combined account for just under 3 per cent of turnover.

With regard to the different submarkets in the domestic market, the competitive landscapes differ. PostNord has the majority of the volumes in the corporate market (B2X) with just over 60 per cent. The second largest is DB Schenker, followed by DHL Freight with respective market shares of between 10 and 20 per cent. The remaining companies have a smaller share of the market, which varies from around one per cent to approximately 3 per cent. The market landscape will also be similar in separate studies of the B2B and B2C sub-segments. The competitive landscape in the B2C market, including light goods mail items, calculated as number of consignments, is illustrated in Figure 12.

The postal operators (excluding PostNord) in the B2C markets consist of firstly Citymail, and secondly of the collaborative morning newspaper distributors with the Early Bird and Postlädepaket brands. Despite competition with the major players PostNord, DHL and Schenker, the combined volume for these smaller postal operators increased by more than 50 per cent in 2019, and combined now represents approximately 5 per cent of the consignments in the B2C market. Several of these companies more than doubled their turnover from parcel services in 2019.
The consumer market (consignments primarily from individuals), C2X is characterised by a significantly different competitive landscape. In this market, Schenker is the distributor with the largest market share at just over 60 per cent of the market, while PostNord represents just under 30 per cent of this submarket. DHL and Bussgods each have market share of less than 5 per cent.

With regard to both incoming and outgoing international parcels, UPS is the largest with just under 50 % of turnover. PostNord is the second largest with approximately 25 per cent of the international market. TNT and Fedex, which are part of the same global group, have a combined share of just over 15 per cent of the market. There are an additional four more operators with a market share of between 1 and 5 per cent: Schenker, DHL, Jetpak and DSV. Of the 13 other operators that are active in Sweden, there are only two that offered parcel services in 2018: Asendia and Bussgods, both with a market share of less than 1 per cent.

The competitive landscape can be further analysed from the perspective of geographical coverage, see more in sections 3.2.3 to 3.2.4, below.
3.2.3 Agent network and service

In line with increased E-Commerce, the parcel volumes increased, and at the same time, the number of service points for posting and pick-up of parcel items is also increasing.

Table 4 - Number of parcel agents 2020

<table>
<thead>
<tr>
<th>Carriers</th>
<th>Type of agent</th>
<th>Number of agents 2020 (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bring</td>
<td>Parcel agent</td>
<td>Approximately 1,700&lt;sup&gt;33&lt;/sup&gt;</td>
</tr>
<tr>
<td>Bussgods/Sverigefrakt</td>
<td>Parcel agent</td>
<td>265&lt;sup&gt;34&lt;/sup&gt; (307)</td>
</tr>
<tr>
<td>DB Schenker</td>
<td>Parcel agent</td>
<td>1,614 (1,513)</td>
</tr>
<tr>
<td>DHL</td>
<td>Total</td>
<td>1,848&lt;sup&gt;35&lt;/sup&gt; (1,763)</td>
</tr>
<tr>
<td></td>
<td>- of which:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Parcel agent</td>
<td>1,714 (1,640)</td>
</tr>
<tr>
<td></td>
<td>Parcel lockers</td>
<td>134 (123)</td>
</tr>
<tr>
<td>PostNord&lt;sup&gt;36&lt;/sup&gt;</td>
<td>Total</td>
<td>2,167 (2,098)</td>
</tr>
<tr>
<td></td>
<td>- of which:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Parcel agent&lt;sup&gt;37&lt;/sup&gt;</td>
<td>1,594 (1,587)</td>
</tr>
<tr>
<td></td>
<td>Business Centre&lt;sup&gt;38&lt;/sup&gt;</td>
<td>223 (237)</td>
</tr>
<tr>
<td></td>
<td>Posting parcel&lt;sup&gt;39&lt;/sup&gt;</td>
<td>350&lt;sup&gt;40&lt;/sup&gt; (274)</td>
</tr>
</tbody>
</table>

<sup>31</sup> Data reported at the month end January/February each year.

<sup>32</sup> A number of agents are agents for several operators, which means that the total of these is not representative of the total number of unique parcel agents in the country.

<sup>33</sup> In association with the reporting to PTS at the month end January/February 2020, Bring reported 512 agents. However, the company is in the process of terminating previous collaborations with DHL in order to establish its own nationwide agency network. According to data from the company, the transition to the proprietary agency network will be completed on 1 April 2020 and the company will then have approximately 1,700 agents.

<sup>34</sup> The activities are primarily concentrated on the four counties in Norrland (Jämtland, Västernorrland, Västerbotten och Norrbotten counties) but Bussgods/Sverigefrakt is collaborating with DHL in order to reach agents in the southern parts of the country. In those parts of the country in which the company operates, they represent an important complement in order to increase the availability of the parcel service in sparsely populated areas. They also make it possible to access the sending of mail items to the rest of the country but with certain restrictions with respect to weight and format, compared to the rules for the proprietary carriers for Bussgods/Sverigefrakt.

<sup>35</sup> Just over 1,100 of the agents also handle parcels for DHL Express. In addition, DHL Express has five of its own agents adjacent to the airports in Stockholm/Arlanda, Gothenburg, Malmö and Örebro, as well as in Hägersten in Stockholm<sup>2</sup>.

<sup>36</sup> In rural and sparsely populated areas, it is possible to have parcels sent to a residence via the rural carrier, which is an important component of the PostNord agency network. Following notification that the parcel has been received by the agent, the recipient then books delivery either over the phone or no the PostNord website.

<sup>37</sup> The term parcel agent refers to full service agents for individuals and smaller companies. Customers can pick up and send parcels both prepaid returns or “over-the-counter” purchases at the parcel agents. In addition to parcel handling, the parcel agent also offers “securities handling”, such as the submission and collection of registered post items.

<sup>38</sup> Business centres are primarily targeted at companies but also some households are also notified to come and pick up or send a larger and heavier parcel from here. Companies and individuals can send parcels using both prepaid returns or through “over-the-counter” purchases from business centres.

<sup>39</sup> Posting of parcels and notified letters without payment for individuals and smaller companies. It is also possible to send prepaid returns form these agents.

<sup>40</sup> In addition to these posting sites, there are 75 posting sites for the posting of larger and heavier packages. Drop off for posting can take place at certain sites.
The number of agents per carrier is shown in the table above. It is clear from the table above that the competition is widespread throughout the whole country. However, the number of agents gives a limited picture of the service experienced by the general public and companies. An important component is also the frequency of deliveries to the agent. In bigger cities, deliveries may be made to the agent five or more days a week, while the agents in more remote locations may sometimes only receive one or two deliveries a week. The picture PTS has based on contact with regional and local players, is that PostNord is the player with the highest frequency, in cases in which there are differences. However, PTS lacks a full picture of the regional differences, as well as the differences in service levels between the different players in the market and therefore in this regard, has the intention of conducting more in-depth data collection.

One form of service that has slowly increased in importance in the Swedish market in recent years is parcel lockers/parcel cabinets, which is otherwise a common form of parcel delivery in several other European countries. One explanation for the slow development in Sweden may partly be that recipients in Sweden have been satisfied with the service offered by agents, and therefore, there has not been the same need for the carriers to complement existing networks. In line with the growth in parcel volumes and the fact that there are several players entering the market, this will become an increasingly significant complement to the existing infrastructure.

### 3.2.4 Complementary parcel services through rural postal delivery

As is evident from Table 4, there are four operators that have a nationwide agency network. Five, if collaborations are taken into account. However, there can be a great variation between residents and the geographical availability of permanent agents and those operating within and outside major urban areas, as well as between different parts of the country. An important complementary service in rural and sparsely populated areas is the service that is provided by PostNord within the framework for rural mail delivery services. In summary, this means that on certain days of the week, the recipient can get a parcel that has been delivered to an agent, delivered to a residence instead. Such services are currently used to a limited extent but it is the assessment of PTS that it constitutes an important complementary service for those recipients who do not have the possibility or means of getting to an agent.

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41 Expressed in simple terms: delivery to rural and sparsely populated areas, as well as in smaller towns.
42 In certain exceptional cases, deliveries may be made to the postbox of the recipient.
If we look at the overall coverage throughout the agency network for all carriers, there is wide distribution throughout the whole country:

**Figure 13 - Overall coverage of the agency network for all carriers**
However, in many parts of the country the networks are sparse and the service via the PostNord rural mail service creates an entirely different coverage and availability:

**Figure 14 - Illustration of the opportunities for recipients to book the PostNord rural delivery service**

It is also clear that this complementary service begins just outside urban areas, as the example below from the greater metropolitan region of Stockholm shows:

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43 The few areas in which there is a lack of access to rural mail delivery services, normally has no recipients who are served by rural mail delivery, which may involve areas with a lack of recipients who live outside urban areas (or areas with difficult geographical conditions, such as the absence of roads that are navigable all year round or islands without a fixed connection to land).
Figure 15 - Opportunities to book the PostNord rural mail delivery service outside the Stockholm region

Overall, PTS can conclude that the PostNord rural mail delivery service is necessary in order to achieve adequate coverage in rural and sparsely populated areas. The agents reach many recipients, even those located far out in the country but there are still holes left in the coverage that the PostNord rural mail delivery service manages to plug. Therefore, in order for the universal postal services to reach everyone throughout the country, the PostNord rural mail delivery services are necessary. Nationwide coverage is one of the main reasons why PTS has chosen to reappoint PostNord as the provider of the universal postal services, also with respect to parcels for the next two years.