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Republic of Serbia
COMMISSION FOR PROTECTION OF COMPETITION

THE REPORT
ON THE ANALYSIS OF THE STATE OF
COMPETITION OF OTHER POSTAL
SERVICES IN THE TERRITORY OF THE
REPUBLIC OF SERBIA IN THE PERIOD
FROM 2019 UNTIL 2021

In Belgrade, 2022

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1. Analysis subject and goal

Pursuant to Article 47 of the Law on the Protection of Competition ("Official Gazette of the RS", no. 51/2009 and 95/2013) and the Decision of the Council of the Commission for the Protection of Competition dated September 29, 2021, the Commission for the Protection of Competition (hereinafter: Commission) conducted a sectoral analysis of the state of competition on the market of other postal services in the Republic of Serbia in the period from 2019 to 2021.

The rapid growth of e-commerce has led to the creation of new opportunities and chances for the development of the retail sector through various channels and the disappearance of clear boundaries between classic sales in stores and sales via the Internet. The development of e-commerce promotes competition and encourages innovation in the entire retail sector. The development of electronic commerce in the Republic of Serbia resulted in an increase in the volume (number) of postal shipments, especially in the parcel delivery segment, as well as express shipments. The development of the sector of other postal services significantly affects the operations of all economic entities. Large business entities aim to separate secondary activities from the main ones, leaving a large part of them to postal operators. Small and medium-sized enterprises are given the opportunity to develop their own value chains through cooperation with postal operators. However, by limiting competition between postal operators, bottlenecks can be created in the distribution channels of the retail sector. According to the data of the Republic Institute of Statistics, the postal activity in the Republic of Serbia in 2020 generated an income of 199.25 million euros, which in current prices was about 0.43% of the GDP.¹

The subject of the research referred to the determination of the relationship between competitors on the market of other postal services, courier services, the assessment of their market shares and relative strength, as well as the analysis of contractual relations between users and service providers, the commercial policy of service providers and the relevant regulatory framework in the period from 2019 until 2021.

The main goal of the research was to look at the state and dynamics of competition in the subject market, as well as to indicate possible problems in terms of potential restrictions or any other type of distortion or prevention of competition that affects market participants.

2. Methodological framework and data sources

The research was conducted on the basis of available (secondary) data and on the basis of survey research, i.e. data collected through structured questionnaires, from market participants and the Regulatory Agency for Electronic Communications and Postal Services (hereinafter: RATEL).

On the market of other postal services in the Republic of Serbia, the Commission paid special attention to the market segment of express services and those postal operators who are among the largest providers of these services, as well as their primary users, legal entities.

¹ Statistical calendar of the Republic of Serbia for 2021, Statistical Office of the Republic of Serbia.

Considering that since the outbreak of the Covid-19 epidemic, the business of courier services has been one of the most dynamic and that the need for their services was at its peak during the period of lockdown, the Commission recognized the need to focus specifically on these economic entities and their business.

The main sources of data for the preparation of the subject analysis were:

- existing legal regulation;
- RATEL data available on their official website, as well as data submitted by the regulatory body to the Commission,
- data submitted by the largest participants in the market - postal operators, based on the Commission's structured questionnaire;
- data submitted by the largest participants in the market - postal operators, based on the Commission's structured questionnaire;
- other publicly available data on the Internet.

The research was conducted in two phases.

In the first phase of the research, the Commission addressed a request for information to the addresses of 42 companies, which, based on publicly available information, could be assumed to represent significant users of express services. The sample was formed by including leading market participants and/or those deemed relevant by the Commission based on publicly available information within 9 different types of trade activities.

As described, the first phase of the research included the following market participants, by activity:

- 1) consumer electronics sales: Tehnomanija, Gigatron, Tehnomedia, Tehnoring, Drtechno, Triogroup;
- 2) sale of sports foot ware and clothes: Sportvision, Intersport, Nsport, Đak, Planeta;
- 3) sale of children's equipment: Aksa, Dexy co, Lettoshop, Kidsland, Menda;
- 4) clothing sales: Inditex group, PS fashion, Fashion & friends, LCwaikiki, Lindex;
- 5) selling household products online: Kliklak, Svezakuću, Nonstopshop, Kudaukupovinu, Topshop;
- 6) sale of household products within retail chains: Ikea, Jysk, Uradisam, Emezzeta, Okov;
- 7) book sales: Vulkan, Delfi, Kreativni centar, Korisna knjiga;
- 8) sale of vehicle spare parts: Leminox, Prodajadelova, HDM autodelovi, XGroup, Silux, Delovionline;
- 9) sale of bicycles and various sports equipment: Planetbike

The aforementioned market participants were asked to provide data that primarily relates to cooperation with courier services. In this regard, it was necessary for them to state which courier services they cooperated with in the observed period, as well as which criteria were important to them when choosing a particular courier service. Also, they were asked to submit official offers of all courier services that preceded the conclusion of the contract, to describe the terms of cooperation, as well as to submit all contracts that were in force in the observed period. Market participants were also asked to indicate the percentage share of delivery costs of courier services in relation to the selling price of goods, the number of returned shipments in relation to the total number of delivered shipments, as well as measures or actions that courier services could take that would potentially reduce the number of returned shipments. When it comes to the conditions of competition on the market in question, the participants

were asked to evaluate the negotiating power of courier services when agreeing cooperation, whether there was a break in cooperation during the observed period, as well as whether they were in a situation where a courier service refused to cooperate with them . In the end, they were asked to declare about cooperation with digital platforms, as well as the conditions thereof, if such cooperation exists.

In the second phase of the investigation, the Commission first sent a letter to RATEL, asking it to provide data related to the total volume and income from express and courier services, separately for documents and goods. Based on the RATEL data, as well as on the basis of the submitted responses of users of postal services included in the first phase of the research, the most important postal operators on the market of other postal services were identified, namely: Aks express, Bexpress, City express, Yu-pd express (hereinafter: Dexpress) and Post of Serbia (hereinafter: Post Express).

Of the afore said market participants, Post of Serbia is registered for the performance of public postal services (under code **5310**), while the other four participants are registered for commercial postal services (under code **5320**). When it comes to the types of services performed by postal operators, in RATEL's register of issued and revoked licenses, the services of the Post of Serbia (Post Express) belong to other postal services - packages from the domain of other postal services, express services and other value-added services, supplementary services. The services of operators Aks express, City express and Dexpress belong to other postal services, namely express services and other services of added value, some supplementary services, while the services of operator Bexpress are defined as reception, processing, transport and delivery of express shipments.

The aforementioned postal operators were asked to submit data related to different segments of their business. When it comes to quantitative data, it was necessary to show the total number of users and branches, as well as price lists and the structure of the average selling price of the postal service, as well as the number of complaints. In addition to the above, it was requested to submit the total volume and income from express services, separately for documents and goods. When it comes to qualitative data, the participants were asked to evaluate the conditions of competition in the market of other postal services, to name the five biggest competitors, as well as to show in which segment of cooperation with users they noticed their dissatisfaction and how that cooperation could be improved.

3. Relevant legal framework

In the Republic of Serbia, the postal services market is regulated by the Law on Postal Services ("Official Gazette of RS", number 77/19, hereinafter: the Law), and corresponding by-laws adopted on the basis thereof. Authorities in the field of postal services in the Republic of Serbia are held by the Government, the Ministry of Trade, Tourism and Telecommunications (hereinafter: MTTT) and RATEL.

The government determines the basic principles of the performance of postal services, guided by the public interest in this area, professional principles and principles of the Universal Postal Convention (hereinafter: UPC), other international organizations and defines the policy and strategy for the development of this market. MTTT implements the Government's policy, through the adoption of appropriate regulations, supervises the implementation of the Law, as

the basic act in this area and the regulations adopted on the basis thereof, represents the Republic of Serbia in international organizations and institutions in the field of postal traffic, ensures the implementation of agreements in the field of postal service and performs other tasks when provided for by law.

RATEL, as an independent regulatory body, performs the function of regulating the market of postal services in the Republic of Serbia and in accordance with the law: 1) passes by-laws; 2) issues and revokes permits for the performance of postal services; 3) participates in the work of international organizations and institutions in the capacity of a national regulatory body in the field of postal services; 4) implements activities aimed at ensuring competition on the market of postal services; 5) mediates in out-of-court settlement of disputes between users and postal operators; 6) performs professional supervision over the work of postal operators; 7) keeps a register of issued and revoked permits to postal operators and ensures public access to the same; 8) performs other tasks in accordance with the Law.

Postal activity in the Republic of Serbia shall consist of the universal postal service and other postal services. Postal activity shall be performed by postal operators as business entities that provide one or more postal services. Postal service shall include any handling by the postal service provider with postal shipments and encompass the reception, processing, transportation and delivery of postal items in domestic and international postal traffic. According to the Law, a postal shipment shall be defined as a shipment that is addressed by the sender in such a way that the recipient can be determined indisputably, and the sender shall be responsible for the accuracy of the address data. In addition to correspondence, these shipments shall include books, catalogs, newspapers, magazines, as well as packages containing goods with or without marked value.

The universal postal service is defined by Article 18 of the Law as a service of general economic interest and represents a set of services that are performed on the entire territory of Serbia continuously, according to the prescribed quality, at affordable prices and under equal conditions for all users, without discrimination. The public postal operator is authorized for the performance of such service, i.e. the Public Company "Pošta Srbije", Belgrade, (hereinafter: PPO) which is, for the performance of all postal services as well as the related delivery of goods pursuant to Article 25, of the Value Added Tax Act, exempted from paying the same.

Other postal services, according to the Law on Postal Services that was valid until November 2019, were formulated as commercial services and included express, courier and parcel services outside the domain of the universal postal service. With the new Law on Postal Services from 2019, commercial services were reformulated into other postal services and can be performed by all postal operators, including PPO, based on approval. Other postal services are defined in Article 26 of the Law and include the following types of services:

- reception, processing, transportation and delivery of packages weighing over 10 kilograms in internal postal traffic;
- reception, processing and transportation of packages weighing more than 10 kilograms in international postal traffic, on departure;
- processing, transportation and delivery of packages weighing over 20 kilograms in international postal traffic, inbound;
- value added services;
- supplementary services.

Value-added services are defined in Article 27 as postal services that have special requirements regarding the quality and methods of reception, processing, transportation and delivery. These services include, in addition to courier and express services, electronic tracking services from receipt to delivery of the postal shipment, services in which the sender has direct communication with the person directly performing the postal service for additional instructions regarding the delivery of the postal shipment, delivery of the shipment with the agreed delivery time, as well as other services in accordance with the law.

Supplementary services are postal services with a special method of handling during the reception, processing, transportation and delivery of postal items and can be at the request of the recipient or the sender.

As for express and courier services, the former are defined by the Law as the reception, processing, transport and delivery of postal items in the shortest and guaranteed terms, while the latter imply the receipt of the postal item at the address of the sender and direct transport and delivery at the recipient's address, without processing.

Postal services are performed on the basis of an access contract or on the basis of a concluded contract that must be in accordance with the Law, regulations and other legal acts, and postal operators are obliged to adopt general conditions for the performance of postal services in accordance with the Law and other regulations the regulator gives consent to, and may request changes thereto, if necessary for the protection of users or ensuring protection of competition.

According to Article 30 of the Law, postage for postal services is usually paid in advance, unless the contract between the postal operator and the user stipulates otherwise, and according to the valid price list of postal services. The postal operator is obliged to display the price list of postal services in a visible place in the premises where they provide postal services. The postal operator is obliged to provide the valid price list of postal services for inspection at the request of the user.

According to Article 31 of the Law, the postage fee for the performance of postal services will be determined in such a way that it does not represent an unfair price in the sense of the Law on Protection of Competition, and if RATEL learns that the price has been determined contrary thereto, it will notify without delay: 1) the authority responsible for the protection of competition and ask for its opinion or propose the initiation of proceedings in cases of possible prevention or distortion of competition, when it comes to a postal operator that has a dominant position on the market; 2) competent authorities for consumer protection (when it comes to a postal operator that does not have a dominant position on the market).

Article 34 stipulates that postage fees for the performance of other postal services are determined by the postal operator, who is obliged to submit the price list of postal services to RATELA for approval no later than three days before the start of its application. The same article specifies that the postal operator is obliged to apply postage in accordance with the price list of postal services approved by RATEL. When determining postage, the Law in Article 24 stipulates that the postal service of reception and/or processing and/or transportation and/or delivery of letter-bearing postal items weighing up to 50 grams whose price is equal to or higher than the amount of two and times higher than the price of the fastest category letter shipment according to the valid price list of the authorized postal operator, the provider of the universal postal service, shall not be deemed reserved. In this regard, RATEL informs the postal operators if there has been an increase in the price of the reserved postal

service, i.e. the price of the letter carrier of the fastest category of the first mass rate (priority letter), after which the postal operators are obliged to harmonize the valid price lists and on the basis of Article 34 of the Law, request the consent of the regulator for the mentioned changes in the prices of other postal services.

Article 63 of the law stipulates that the postal operator performs postal services on the basis of a permit for which the following conditions must be met: 1) the business entity must be registered in the business register; and 2) must meet the technical, technological, personnel and other requirements provided by law.

Article 64 of the law stipulates that RATEL issues the following types of permits: 1) special license; 2) license and 3) approval. PPO discharges the universal postal service on the basis of a special license, while other postal operators can perform universal postal service, except reserved ones, on the basis of a license. Other postal services are provided by all postal operators based on approval.

On the basis of the Law, numerous by-laws were adopted by MTTT and RATEL in connection with the performance of postal services. In this part of the analysis, only those regulations that are important for the analysis of the state of competition on the market in question will be listed:

Rulebook on further conditions for commencing the activity of postal services ("Official Gazette of the RS", no. 91/20 and 30/21). This rulebook, issued by MTTT, specifies the conditions for commencing the activity of postal services. Article 18 of the rulebook states that the postal operator performing other postal services must have the necessary space, appropriate technical means, vehicles, equipment and the required number of employees in order to provide high-quality postal services, i.e. complying with the prescribed delivery and serving deadlines set forth by the general conditions of the operator, to which RATEL has given consent, in accordance with the law.

Rulebook on application forms for the granting of a license to provide postal services ("Official Gazette of the RS", number 23/20). This rulebook, issued by RATEL, prescribes the application forms for the granting of a license for the provision of postal services, namely: Form 3/III/1 - Application for the granting of a license - special license; Form 3/II/1 - Application for the granting of a permit - license; 3/IO form - Application for the granting of a permit - approval; Form 3/II/2 - Request for the granting of a modified license (special licenses / licenses / approvals for the performance of postal services). The form 3/IO - Request for the granting of a license - approval for the performance of other postal services, contains: 1) basic data about the applicant, 2) data for the granting of a license - approval: specification of services for which a license - approval is requested; territory where postal services will be provided; the period of time for which permission is requested - approval; planned date of commencement of postal services; 3) data on the legal representative/authorized representative, 4) information on the mandatory attachments to be submitted with the request, namely: proof of fulfillment of the conditions for performing postal services in the entire territory or part of the territory of the Republic of Serbia; general conditions for performing postal services; price list of postal services; decision/statement on the applicant's identification mark; authority to sign the request.

Rulebook on the conditions and manner of providing postal services ("Official Gazette of RS", number 115/20). This rulebook regulates the conditions and manner of performing postal services, the handling of postal items from receipt to delivery, the rights, obligations and responsibilities of providers and users of postal services, the protection of users of postal

services, as well as other issues of importance for the functioning and development of postal services in Republic of Serbia. The provisions of this rulebook apply to the performance of postal services in internal postal traffic (hereinafter: IPT) and international postal traffic (hereinafter: IntlPT).

Rulebook on the method and procedure of professional supervision of the performance of postal services ("Official Gazette of RS", number 146/20). In Article 2 of this Rulebook, RATEL provides expert supervision over the implementation of the Law and regulations adopted on the basis of the Law in the part that regulates the quality of universal postal services, access to the network, prices and accounting of providers of universal postal services, only with economic entities located in the register of postal operators, in accordance with the Law. According to Article 4 of the Rulebook, in the course of the professional supervision procedure, the authorized person controls: 1) the fulfillment of the prescribed quality parameters in the performance of the universal postal service, as well as the quality of the performance of other postal services; 2) application of valid price lists of postal services; 3) implementation of network access agreements and 4) accounting separation of universal postal service providers.

In accordance with Article 9, if in the course of the professional supervision, the authorized person determines that the postal operator does not perform postal services in accordance with the prescribed quality parameters, that accounting separation is not performed, that the postage is not in accordance with the valid price list of postal services, that the provisions of the contract on access to the postal network are not applied, he/she will inform the inspector for postal services and propose the initiation of the inspection supervision procedure.

Rulebook on the method of education of the commission and the procedure for opening and inspecting the contents of postal items containing items whose sending is prohibited ("Official Gazette of the RS", number 91/20). This rulebook prescribes the method of training the commission at the postal operator and the procedure for opening and inspecting the contents of postal items that contain items, the sending of which is prohibited.

Rulebook on access to the network of the public postal operator ("Official Gazette of the RS", number 159/20), prescribes the conditions and method of access to the postal network of the PPO, which it is obliged to provide to other postal operators under conditions that must be known in advance, transparent and non-discriminatory.

The Rulebook on the Amount and Method of Payment of Fees for Issuing Permits and Reimbursement of Operational Costs for the Performance of Postal Services ("Official Gazette of RS", No. 82/20), determines the amount and method of payment of fees for issuing permits, i.e. special licenses, licenses and approvals, the amount and the method of payment of compensation for operational costs for the performance of postal services, deadlines for payment obligations and prescribes the content of forms for submitting data relevant for determining the amount of compensation for operational costs for the performance of postal services.

Postal operators bear the costs of the license fee, which cannot exceed 200 euros in dinar equivalents. Postal operators are obliged to pay to RATEL up to 0.4% of the total revenue generated from the performance of postal services in the previous calendar year as compensation for operating costs.

The existing regulations, the Law, as well as all by-laws, are almost completely in line with the EU directives governing the field of postal traffic. The legislative framework is partially harmonized with the Regulation of the European Parliament and Council as of April 18, 2018. The part that needs to be harmonized refers to cross-border parcel delivery services EU 2018/644, which regulates shipments (parcels) containing goods in international postal traffic (Regulation of the European Parliament and of the Council of 18 April 2018 (EU) 2018/ 644

on Cross-border parcel delivery services). Partial harmonization is present in this part due to the fact that the aforementioned regulation was adopted at the same time as the Law was adopted, so harmonization is expected in the future.

3.1. Assessment of the relevant legal framework from the aspect of competition protection

In the course of the analysis of the relevant legal framework, no problems were noted in the sector in question regarding possible regulations, and in particular, in the market entry barriers. Entry into the observed market is regulated by legal and by-laws, which specify in detail the technical conditions required for starting the activity. The prescribed conditions and the method of obtaining a permit represent a logical need in terms of spatial and technical capacities, and do not represent administrative barriers that would cause concern that access to the market is difficult and competition is limited.

The current situation on the market, in which the PPO courier service is exempt from VAT, creates an unequal position for business in the segment of observed services compared to other postal operators. In order to create an equal position in the future, for all postal operators, it is necessary to consider the fact that Post Express, being a PPO courier service, should calculate VAT for the observed service segment, like other operators. Also, the Strategy for the Development of Postal Services in the Republic of Serbia for the Period 2021-2025. ("Official Gazette of the RS", No. 68 of July 7, 2021) defines the promotion of competition as one of the main goals of the current European regulatory framework, and determines that in this sense the Republic of Serbia should continue to promote and encourage efficient and loyal competition in the postal sector.

4. Market characteristics of other postal services in the Republic of Serbia

4.1. Total size of the postal services market

According to the available data of the Statistics Office of the Republic of Serbia, postal activity in 2019 and 2020 accounted for an average of 0.4% of GDP in current prices, while the exact data for 2021 have not yet been published. According to RATEL data, the total volume of postal activity in the observed three-year period ranged from 308 million in 2019 to 313 million realized postal services in 2021, i.e. from 21.2 to 27.6 billion dinars (from 179.8 million euros to 235.2 million euros). RATEL submitted the data for 2021 to the Commission, explaining that the data for the annual Review of the Telecommunications and Postal Services Market is still being collected and processed, and that the data submitted to the Commission may differ to a certain extent from those that will be published in the final report .

Table 1 Structure of the volume and income of postal services

Type of service	2019		2020		2021	
	Volume	Income	Volume	Income	Volume	Income
The universal postal service is defined by Article 18	87%	42%	85%	39%	84%	41%
Other postal services	13%	58%	15%	61%	16%	59%
Total	100%	100%	100%	100%	100%	100%

Source: CPC calculation based on the RATEL database

In the observed period, the most significant factors that influenced the decline in the volume of universal postal services and the growth in the volume of other postal services were the Covid 19 virus pandemic, the growth of electronic commerce and the accelerated digitization of state administration.

By comparing the income and the total number of parcels realized through universal and other postal services, the average income per parcel can be determined, that is, the average price for both types of services.

Table 2 Average revenue per shipment without VAT by type of service in dinars

Type of service	2019	2020	2021
The universal postal service is defined by Article 18	33	35	43
Other postal services	315	311	321
Express services in internal traffic	264	284	291
Express services in international traffic	2.878	2.720	2.802

Source: RATEL data

Based on the previous table, it can be concluded that the revenues per shipment of other postal services grew significantly slower compared to the growth of revenues per shipment of universal postal services. In the observed three-year period, the growth of the average revenue per shipment of the universal postal service was 30%, while the growth of other postal services was only 2%. The average revenue per shipment of express service in domestic traffic increased by 10% in the observed period, while the average revenue per shipment of express service in international postal traffic decreased by 3%. The above data indicate a stronger intensity of price competition on the market of other postal services, which will be explained in more detail in a separate part of the analysis.

4.2. Postal operators in the market of other postal services

The total number of active operators, that is, those who during the observed period did operate and generated income based on the provision of postal services, was between 55% and 60% of the total number of registered operators. By comparing the data that RATEL submitted to the Commission on operators who provided express and courier services during the observed period with publicly available data on the total number of registered postal operators, we can conclude that a certain number of them, although they have a license to provide courier and express services, do not provide postal services continuously but take a break for a longer or shorter period of time, where they can certainly be characterized as small participants. Likewise, individual operators perform express services on behalf and for the account of larger postal operators.

Table 3 Total number of postal operators at the end of the year

Operators	2019	2020	2021
Total number of postal operators with a valid license	59	51	53
Total number of active postal operators	32	31	29

Source: RATEL data submitted to the Commission

Postal operators are issued licenses for the performance of other postal services for a period of between one and ten years, whereby the status of the postal operator can be changed from active to a status that includes: temporary interruption in the performance of postal activities, revocation of the license ex officio, termination of validity of the license on the request of the license holder and the expiration of the license validity period. When it comes to revocation of a license, the law stipulates that RATEL can revoke a user's license if it was obtained on the basis of false information, if it does not perform postal services in accordance with the law, if it has not fulfilled its obligations to the regulatory body, if it has caused damage to the general interest by performing its activities or caused damage on a larger scale, as well as if they failed to start providing postal services within 30 days of obtaining the permit or there was an interruption in the provision of postal services for more than 12 months.

According to the data provided by RATEL to the Commission, a total of 14 express service operators were active in 2019, while 13 were active in 2020 because the participant Royal express ceased operations due to bankruptcy, while in 2021 the number of active express service operators rose to 18. During 2021, 6 operators (Delta transport systems, Ananas ecommerce, B2C partner, Milšped one, Ad Intereuropa and M&M Militzer&Muench) received permission to perform other postal services, and the operator Tim kop did not provide services.

Of the aforementioned participants, only Express courier and Flying cargo perform express services exclusively in international postal traffic. Postal operators who operated or operate exclusively in internal traffic are: Bexexpress, City express, Gebruder weiss, Milšped doo, Print logistic, Royal express, Delta transportni sistemi, Ananas ecommerce, B2C partner, Milšped one, AD Intereuropa and M&M Militzer&Muench, Transport&Logistic doo. Postal operators that perform express services in both domestic and international postal traffic are: Post Express, Dexpress, Aks express, DHL, In time express and Tim kop.

Bearing in mind that other postal services, both in terms of number and revenue, are primarily realized in internal postal traffic, through express services, for the purposes of this analysis, the Commission dealt in more detail with postal operators that provided express services in the internal postal traffic.

4.3. Market structure of express postal services

According to the data provided by RATEL to the Commission, express services are the most massive category of services, which in the observed three-year period in the total scope of other postal services accounted for about 95% of the market on average, with 98% of services realized in internal postal traffic. The dominant category of shipments with express services in internal postal traffic is goods with about 85% share in the total volume, while the other 15% are documents. In terms of value, the share of goods accounted for about 90% of the revenue from express services during the observed period.

According to RATEL data, during the three-year period, the total number of express shipments increased by 26%, and in the last two years, almost all deliveries were made by the 5 largest postal operators.

Table 4 Comparative overview of the scope of express services at IPT

Postal operators	2019		2020		2021	
	Volume	Market share	Volume	Market share	Volume	Market share
Post Express	[...]	/20-30/%	[...]	/20-30/%	[...]	/30-40/%
Aks express	[...]	/20-30/%	[...]	/20-30/%	[...]	/20-30/%
Dexpress	[...]	/10-20/%	[...]	/20-30/%	[...]	/10-20/%
Bexexpress	[...]	/10-20/%	[...]	/10-20/%	[...]	/10-20/%
City express	[...]	/5-10/%	[...]	/10-20/%	[...]	/10-20/%
Other	3.037.542	8%	276.267	1%	346.798	1%
Total	37.692.303	100%	42.628.533	100%	47.328.111	100%

Source: RATEL data submitted to the Commission

Based on the data from the previous table, it can be concluded that the largest postal operators increased their market shares due to the decrease in deliveries of small postal operators, while Dexpress had the same market share in 2021 compared to 2019.

Total revenues from express services in internal postal traffic increased from 9.9 billion dinars (84.6 million euros) in 2019 to 13.7 billion dinars (117.3 million euros) in 2021, i.e. by almost 38%.

Table 5 Comparative overview of income from express services at IPT in dinars²

Postal operators	2019		2020		2021	
	Income	Market share	Income	Market share	Income	Market share
Post Express	[...]	/20-30/%	[...]	/20-30/%	[...]	/20-30/%
Dexpress	[...]	/20-30/%	[...]	/20-30/%	[...]	/10-20/%
Aks express	[...]	/20-30/%	[...]	/20-30/%	[...]	/20-30/%
Bexexpress	[...]	/10-20/%	[...]	/10-20/%	[...]	/10-20/%
City express	[...]	/10-20/%	[...]	/10-20/%	[...]	/10-20/%
Other	731.359.136	7%	135.823.343	1%	206.668.877	1%
Total	9.968.458.838	100%	12.126.594.873	100%	13.787.653.615	100%

Source: RATEL data submitted to the Commission

On the basis of individual market shares by revenue, an almost identical conclusion can be drawn. The growth of the market shares of the largest postal operators is a consequence of the decrease in the realized income of small postal operators, with the exception of Dexpress, whose market share decreased by 1 percentage point, while the market share of Aks express remained unchanged. It is clear that in 2021, Post Express and Aks express had a three percentage point smaller market share in terms of revenues compared to the volume of deliveries, while other operators achieved higher market shares in terms of revenues compared to the number of deliveries.

² Postal operators submit data on income from express services to RATEL without calculated VAT.

If the market were to be divided into the delivery of documents and goods, the structure of the market would be significantly altered, as shown in the following table.

Table 6 Market shares of operators by documents and goods in 2021

Postal operators	goods	documents
Post Express	/20-30/%	/70-80/%
Dexpress	/20-30/%	/0-5/%
Aks express	/20-30/%	/15-20/%
Bexpress	/20-30/%	/0-5/%
City express	/10-15/%	/0-5/%
Other	2%	1%
Total	100%	100%

Source: CPC calculation based on the RATEL database

The above data indicate that the postal operators Dexpress, Bexpress, City express, Aks express have directed their business towards the delivery of higher value items or that they have higher prices compared to other competitors. An answer to this question will be given in the part of the analysis that refers to average revenues per shipment and retail prices.

For the purposes of the analysis, the Commission presented the basic indicators of market concentration based on realized revenues in the observed period.

Table 7 Concentration indicators

Concentration indicators	2019	2020	2021
CR4	81%	86%	86%
CR5	93%	99%	99%
HHI index	1.870%	2.049	2.100

Source: CPC calculation based on the RATEL database

If we compare the indicators of concentration in the observed period, we can see the dynamics and intensity of the degree of concentration. Many authors stated that if the market share of the 4 largest participants in the market is greater than 40%, it is an oligopolistic market structure.³ Considering the levels of market share of the 4 largest market participants, it can be concluded that the structure of the express services market in Serbia is oligopolistic. According to the HHI index, the market for express services was moderately concentrated in 2019, and will become highly concentrated already in 2020. The oligopolistic structure and the high concentration of the market in themselves do not mean that large postal operators exert market power, but that such a possibility exists.

4.4. Average revenues of postal operators on the market of express services

By comparing the total revenue (without VAT) and the total volume of express services in internal postal traffic for each postal operator, the average revenue which is obtained,

³ See e.g. McConell, C. R. and Brue, S. L. (1996), *Microeconomics – Principles, Problems and Policies*, McGraw-Hill, Inc., London

represents their average price per express shipment. For the sake of comparability of average prices, the average income with VAT is also provided. Given that commercial operators are subject to the obligation to pay VAT, the average price of their express service is higher compared to the price of Post Express, which, on the other hand, is exempt from paying VAT by law.

Table 8 Average revenue per shipment with IPT express service (average shipment price in dinars)

Postal operators	2019		2020		2021	
	without VAT	with VAT	without VAT	with VAT	without VAT	with VAT
Post Express	[...]	[...]	[...]	[...]	[...]	[...]
Dexpress	[...]	[...]	[...]	[...]	[...]	[...]
Aks express	[...]	[...]	[...]	[...]	[...]	[...]
Bexexpress	[...]	[...]	[...]	[...]	[...]	[...]
City express	[...]	[...]	[...]	[...]	[...]	[...]

Source: RATEL data submitted to the Commission with calculated VAT

If the average income per shipment is observed in isolation, a general conclusion cannot be made about the price level of individual postal operators, that is, simply put, whether the services of a particular operator are more expensive or cheaper. Data on the structure of income by weight according to individual postal operators were not available to the Commission. However, data on revenues from express services according to the type of shipments, that is, the share of documents and goods, can approximate the specified deficiency, and point to those market niches targeted by the largest postal operators.

According to RATEL data, in 2021, the share of document delivery in the total revenue of express services in internal traffic of Post Express amounted to /30-40/%, and that of Aks express /5-10/%, while with other large operators, it was below 3%. The aforementioned two postal operators achieved /90-100/% of the income from the total income from the express services provided by the delivery of documents. Therefore, it can be concluded that the postal operators Dexpress, Bexexpress and City express directed their business activity towards the delivery of goods of greater weight, and primarily distance sales.

4.5. Structure of average expenditures

With the request for the delivery of data, the commission asked the largest postal operators on the market of other postal services to show the structure of the average selling price of shipments up to 2 kg and from 2 kg and above. However, the data that the participants submitted to the Commission were not complete and mutually comparable, given that some operators stated that they could not show the cost structure according to the shipment category, or simply did not show all the elements that make up the cost price. In the light of the above, the Commission used data from the income statement available on the official website of the Business Registers Agency (hereinafter: BRA). In this way, the structure of business expenses for 2019 and 2020 was analyzed for the four largest postal operators that exclusively provide other postal services. The operator Post Express was excluded from the analysis, given that on the basis of the profit and loss account of the public company, the cost structure of other postal services cannot be reviewed. Data from the income statement for 2021 have not yet been published, so the analysis covered the first two years of the observed period.

According to the available data for the four largest postal operators, on average, in the two observed years, the largest share in the structure of business expenses is the cost of production services and salary costs, which together with fuel and energy costs make up over 80% of the costs for most operators, while only for the Bexexpress operator, they make up 74%.

Table 9 Structure of average business expenses

Postal operators	Structure of average business expenses 2019-2020.					
	Material	Fuel and energy	Salary	Production services	Depreciation	Immaterial costs
Dexpress	4%	15%	47%	20%	9%	5%
Aks express	4%	10%	11%	63%	6%	3%
Bexexpress	9%	18%	45%	11%	6%	11%
City express	6%	11%	33%	38%	5%	7%

Source: Data from BRA

Based on the data provided above, it can be concluded that the fuel and energy costs of all observed postal operators are less than one fifth of the total expenses. Also, there remains the question of comparability of the costs of production services, the largest part of which is the cost of transport services. For example, Aks express has significant business relationships with related legal entities engaged in transportation services.

When it comes to the realized margin, the operators Dexpress and Aks express stated that in 2021 it was about [...], while the operator City express stated that the average margin was [...], without specifying the year of calculation. The operator Bexexpress stated that the margin for shipments up to 2 kg was [...], while for shipments over 2 kg [...]. The Post Express operator did not provide data on the realized margin.

4.6. Retail prices of express services

The analysis of the retail prices of express services was carried out using the official price lists of the five largest postal operators for the service "today for tomorrow" with VAT included, except for Post Express, where the turnover of postal services is exempt from paying VAT, which were valid on January 1 of the observed year. The listed prices do not include special services, such as cash-on-delivery services, delivery notes, return notes, paid response, SMS services and the like.

Table 10 Price list of express services in internal postal traffic in dinars

Maca (kr)	Dexpress			Aks express			Bexexpress			City express			Postexpress		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
do 0,5	281.40	300.00	300.00	[...]	[...]	[...]	270.00	270.00	300.00	276.00	276.00	336.00	150.00	150.00	200.00
0,5-1	321.60	330.00	360.00	[...]	[...]	[...]	320.00	320.00	350.00	399.84	399.84	468.00	240.00	240.00	250.00
1-2	391.95	400.00	400.00	[...]	[...]	[...]	390.00	390.00	420.00	399.84	399.84	468.00	240.00	240.00	250.00
2-5	502.50	520.00	550.00	[...]	[...]	[...]	500.00	500.00	530.00	529.79	529.79	660.00	300.00	300.00	340.00
5-10	663.30	690.00	690.00	[...]	[...]	[...]	650.00	650.00	700.00	756.84	756.84	840.00	450.00	450.00	460.00
10-15	954.75	990.00	990.00	[...]	[...]	[...]	800.00	800.00	900.00	983.89	983.89	1,104.00	630.00	630.00	660.00
15-20	954.75	990.00	990.00	[...]	[...]	[...]	920.00	920.00	1,000.00	999.60	999.60	1,152.00	630.00	630.00	660.00
20-30	1,155.75	1,200.00	1,200.00	[...]	[...]	[...]	1,100.00	1,100.00	1,150.00	1,135.26	1,135.26	1,440.00			
30-50	1,507.50	1,560.00	1,560.00	[...]	[...]	[...]	1,500.00	1,500.00	1,550.00	1,513.58	1,513.58	2,040.00			

Source: Data on market participants

The prices shown in the official price lists are actually the maximum prices that postal operators charge from users of express services, and the largest number of deliveries (with

certain operators over 90% of deliveries) are made at lower prices, depending on the rebate policy of each individual operator.

During the three-year period, most operators changed their price lists several times, and even within one year, where not all prices were always changed, but mostly the prices of additional and special services. On the other hand, if we look at the prices for standard today-for-tomorrow shipments, which were in effect in January 2019, we can see that from then until the end of 2021, Post Express prices have changed once, and City Express three times times, while with other operators, the prices of standard shipments have been increased twice.

Based on the submitted price lists, it could be seen that during the observed period between 01.03-01.04.2020. there was a price change at 4 postal operators, with two postal operators increasing their prices in a very short period of time. Based on the answers provided by the postal operators, on March 1, the price increase first occurred with Post Express, after which Aks express and Bexexpress did the same on March 6 and 8, and City express reacted in the same way on April 1.

Table 11 Changes to the price list of express services in 2020

Weight (kg)	Aks express	Bexexpress	City express	Post Express
	6.3.2020	8.3.2020	1.4.2020	1.3.2020
up to 0,5	[...]	300	312	200
0,5-1	[...]	350	420	250
1-2	[...]	420	420	250
2-5	[...]	530	576	340
5-10	[...]	700	757	460
10-15	[...]	900	984	660
15-20	[...]	1.000	1.020	660
20-30	[...]	1.150	1.200	
30-50	[...]	1.550	1.680	

Source: Data on market participants

Based on the data from the previous table, it can be assumed that the operators followed the prices of competitors, and consequently reacted by increasing their prices. It can be seen that the prices of the operators Aks express and Bexexpress for three categories of shipments were identical, while the prices of other categories of shipments differed by [...] or [...] dinars. The price increase at the operators is different both in absolute and relative terms, with Post Express having the lowest prices, whose increase was 10% on average. In the case of the other 3 operators, on average, the highest price growth was experienced by Aks express, for [...], which initially had the lowest prices. The lowest price increase was City express, which was the most expensive during the entire observed period, including the one before the increase.

The next successive price increases followed at the end of 2021, in the period October-December, where the prices for each category of shipments differed among operators.

Table 12 Changes to the price list of express services in 2021

Weight (kg)	Aks express	Bexexpress	City express
-------------	-------------	------------	--------------

	1.11.2021.	October 2021	1.12. 2021.
up to 0,5	[...]	315	360
0,5-1	[...]	368	504
1-2	[...]	441	504
2-5	[...]	557	720
5-10	[...]	735	900
10-15	[...]	945	1.200
15-20	[...]	1.050	1.260
20-30	[...]	1.208	1.560
30-50	[...]	1.628	2.220

Source: Data on market participants

The last price increases took place at the beginning of 2022, with Post Express being the first to do so on January 1, after which price increases were recorded in April with 3 more postal operators, namely City express, Bexexpress and Dexpress, while Aks express had the last price increase beginning of November 2021.

Table 13 Changes to the price list of express services in 2022

Weight (kg)	Dexpress	Bexexpress	City express
	21.4.22.	18.4.22.	01.04.22.
up to 0,5	360	378	380,65
0,5-1	440	442	532,92
1-2	490	529	532,92
2-5	650	668	761,32
5-10	860	882	951,64
10-15	1.150	1.134	1.268,86
15-20	1.150	1.260	1.332,20
20-30	1.400	1.450	1.649,51
30-50	1.900	1.954	2.347,38

Source: Data from the website of market participants

When it comes to price increases during April, for the three observed operators, it can be seen that City express increased the price of each category of shipments by 6%, operator Bexexpress by 20%, while the price increase at Dexpress was different by category, but in average was 20%. By comparing the price lists between these 3 operators, we see that the prices for smaller categories of shipments (up to 2 kg) differed from 2 to 4 dinars among some of them, so for example the price with operators Bexexpress and City express for shipments weighing up to 0.5 kg had a difference of almost 2 dinars, which was the difference between operators Dexpress and Bexexpress for shipments weighing 0.5 to 1 kg.

Based on the submitted price lists of postal operators, it can be concluded that the prices changed several times during the observed period, and in certain time intervals, successive price increases by 3 or more operators could be observed. The fact that there are 5 large operators on the postal services market, and the price lists of each of them are publicly available, gives the possibility of insight into competitors' prices and potential harmonization. Although most deliveries are not made according to official price lists, they potentially indicate parallelism, or possible horizontal price agreements. It should be borne in mind that although the market shares of competitors are similar in the oligopolistic market, the analysis

did not observe high barriers to entering the market (neither legal nor economic), as well as low bargaining power of large users of postal operators' services.⁴ However, although there is general agreement in the literature and jurisprudence that parallelism in itself is not tortious, i.e. illegal, unlike open collusion, the problem remains that the results are often the same or similar in economic terms as agreements that distort competition.

4.7. Number of courier service branches

Given that, based on publicly available information, the Commission noticed that one of the delivery problems is the delivery of goods during working hours, when there is often no one at the home address, the largest postal operators were asked to provide data on the total number of branches for each of observed years. However, the data provided by the operators was presented in such a way that the Bexexpress operator combined the number of branches and parcel shops, while the total number of post offices was taken for the data of Post Express, since it is not possible to specify at which post offices other postal services are provided. Aks express data, available on their official website, indicate that the submitted data could also refer to the consolidated view of branch offices and parcel shops.⁵

Table 14 The total number of branches of the largest postal operators

Courier services	Total number of branches		
	2019	2020	2021
Dexpress	21	21	21
Aks express	33	39	43
City express	18	20	20
Bexexpress	43	45	51
Post Express).	1.526	1.518	1.499

Source: Data on market participants

Based on the above data, the tendency of expanding the network of postal operators' offices can be observed, with the exception of PPO, which, considering its core activity, cannot be compared with other operators. The growth in the number of branches can be linked to the growth in the volume of express deliveries.

5. The effects of the development of electronic commerce on the conditions of competition

Express and courier services are traditionally part of the postal sector, however with the growth of e-commerce they are developing into a separate industry. In the past, the express service industry dealt with the classic door-to-door delivery of documents and packages, while today it controls a large part of the logistics process of e-tailers. Shipments are usually picked

⁴ See more details in: Better Regulation Directive (Directive 2009/140/EC of 25 November 2009), Clause 28), Annex II and Article 14(2)

⁵ Parcel shops are locations where individuals or legal entities are provided with the service of sending and receiving parcels, where some of the operators, through cooperation with certain companies, offer users the opportunity to collect their parcels in certain retail establishments. Such retail facilities are mainly gas stations or newsagents where users can pick up the shipment even after working hours, which offers better planning of the user's private and business activities, faster and simpler realization of receipt/handover of shipments and accompanying documentation, as well as significant savings in time and money.

up at the end of the working day at the sender's premises, transported to the operator's warehouse, and the item is delivered to the recipient's premises. The sender and the recipient have access to information on the progress of shipments from pickup to delivery and proof of delivery is provided. The business focus is on B2B services.⁶ The rapidly growing e-commerce market represents an excellent opportunity for the development of postal operators. By adopting the Green Book and guidelines, the European Commission presented the goal of improving cross-border package delivery services and consequently encouraging e-commerce.⁷ The key elements of the green paper can be summarized as follows: a) improving the convenience of delivery services for consumers and e-merchants; providing more efficient delivery solutions and lower prices; promoting improved interoperability of delivery services between operators and e-merchants.

In the Republic of Serbia, the Law on Trade defines distance selling as making an offer and concluding a contract for the sale of goods/services using one or more means of communication. Electronic commerce is a form of distance selling that is realized by offering, ordering and selling goods/services via the Internet. Electronic commerce is mainly carried out as catalog sales, TV sales, trade through mail, printed items, advertising materials with purchase order, telephone, text and multimedia messages in mobile telephony and voice machines. Payment for goods can be made electronically or by cash on delivery (ransom), and delivery of goods to customers is done through postal shipments, and on the domestic market, these are mostly express shipments.

Both at the global level and in Serbia, electronic commerce is constantly growing, and companies that have an online store are more successful than their competitors that operate exclusively traditionally. During the Covid-19 pandemic, e-commerce has served as a safe and efficient way for consumers to buy groceries and goods from their homes, while it has enabled merchants to maintain their business during the time of restrictions and reduced movement of people. Publicly available data show that in 2020, over 3 million people in Serbia bought online, which indicates the great potential of this market, which at the same time spills over into the postal services market, generating an increase in income, especially express services.

In the observed period, the growth of electronic sales implied the growth of express shipments, which is shown in the following table.

Table 15 The share of distance sales in the income from express services in IPT (in 000 dinars)

Income and share	2018	2019	2020	2021
Income from express shipments to ITS	8.778	9.968	12.127	13.788
Revenue from remote sales shipments	2.227	3.003	4.373	5.271
Share in distance selling	25%	30%	36%	38%

Source: RATEL data

The total revenue from deliveries made through distance sales increased by 137% in 2021 compared to 2018.

⁶ Dieke, A. K.; Hildebrand, A.; Joyce, C.; Niederprüm, A. (2014). Design and development of initiatives to support the growth of e-commerce via better functioning parcel delivery systems in Europe. Study for the European Commission, DG Internal Market and Services.

⁷ European Commission (2012). Green Paper. An integrated parcel delivery market for the growth of ecommerce in EU.

The presented data confirm that the e-commerce market has been in a phase of intensive development for the last few years, which is certainly reflected in the business of postal operators who provide services in this segment, and who recognize e-commerce as one of the most important factors of economic growth. Strategy for the development of postal services in the period 2021-2025 adopted by the Government of Serbia at the proposal of MTT in the middle of last year, recognized these tendencies and listed measures that could further improve the postal sector. As foreseen by the Strategy, the emphasis is on the further development and improvement of logistics services, which would complete the value chain of e-commerce for those traders who do not have their own logistics capacities. In this sense, postal operators, who want to actively operate in the e-commerce segment, should further develop appropriate internet platforms for e-commerce, then develop an appropriate network for parcel delivery and thus ensure that e-commerce services can be used throughout the territory of the Republic of Serbia.

In 2021, Shoppster, which is a platform that combines technologies and IT logistics to provide electronic commerce services, took over the company YU-PD Express doo, or Dexpress. In the same year, the Ananas ecommerce platform received a license to provide other postal services under the name Ananas express. Therefore, it is expected that in the future, with the development of e-commerce, the intensity of competition will increase in the market of express services.

6. Conditions of competition on the market of other postal services

The conditions of competition in the market of other postal services were observed from the perspective of postal operators and from the perspective of users, legal entities.

6.1. Conditions of competition from the point of view of postal operators

When it comes to the responses of postal operators regarding the conditions of competition in the market of other postal services, the majority stated that the conditions of competition are favorable and that there are no barriers when entering the market, as well as that entering the market itself is simple and easy. As some participants stated, there is a large number of postal operators, which is evidenced by RATEL's register of licenses issued to postal operators, and in this connection it is relatively easy to meet the requirements for performing postal activities.

On the other hand, two operators objected that PPO, due to exemption from paying VAT on all postal services it offers, as well as on other postal services in which it competes with other commercial operators, gains a competitive advantage in terms of prices. One of the operators stated that PPO should be exempted from paying VAT only for the reserved postal service, since it is a service of general interest and as such, it is the only one performing it, while extending that provision to the entire postal activity enables the competitive advantage of the Post of Serbia which other postal operators would not be able to compensate with any other instrument. One of the operators stated that lately there has been a phenomenon of intertwining of transport activities with courier services, and we have companies that have become active in the field of postal services, which expands competition.

The Commission also asked the courier services to state whether there were situations in the observed period in which they refused to cooperate with certain companies. Most of the participants answered that there were such cases when it came to requests for the delivery of oversized goods for which there were no adequate transport or storage capacities, that is, they were unable to safely transport a certain type of goods due to the type and method of packaging.

The operators stated that they refused to cooperate in cases where the transport of goods whose contents were prohibited by law for delivery was requested. The impossibility of meeting the deadlines for the delivery of goods is also cited as a reason for refusing cooperation.

When it comes to the opinion of the courier services on business segments that they are dissatisfied with and that can be improved, one of the operators mentioned the problem of unsolved regulations related to the stopping of vehicles for the delivery of goods, which creates fines that are amortized as a cost through price increases or which are resolved by inviting the recipient to come down and collect the goods. When it comes to the dissatisfaction of the users themselves, the operators state that it is most often due to damage caused by the handling of fragile goods, as well as due to delays in the delivery of goods. One of the operators stated that greater investment is needed in certain sectoral businesses such as information technology in terms of user applications, then in parcel shops and parcel machines, which would increase customer satisfaction with the service.

Based on the responses of postal operators, it can be concluded that there are no significant entry barriers on the observed market, however, a large number of registered operators does not imply a high intensity of competition. Also, from the operator's point of view, there is no customer discrimination.

6.2. The number of users of legal entities and the choice of postal operators

When it comes to users of express services - legal entities, postal operators submitted to the Commission information on the total number of companies that used their services during the observed period, while for natural persons they stated that it was not possible to provide precise information due to the way in which they are managed in the system, which is different from the way legal entities are run.

Table 16 Total number of users of express services - legal entities

Courier services	Year		
	2019	2020	2021 III quarter
Post Express).	26.404	29.406	31.991
Aks express	[...]	[...]	[...]
Dexpress	7.421	7.511	6.946
City express	5.125	5.103	4.264
Bexpress	2.100	2.400	2.800
Total	60.631	57.313	57.343

Source: Data on market participants

When analyzing the number of users, it should be noted that users of postal services have different volume of shipments, and that the ranking of courier services by number of users does not necessarily reflect the position of courier services in terms of the volume of shipments. Also, the number of users alone does not mean that they cooperate exclusively

with one postal operator. The Commission's research showed that the majority of selected companies (users) use the services of two or more postal operators. Post Express had the largest number of users in all three observed years, while in second place in the number of users was Aks express, which also had the largest decrease in the number of users. Considering that the share of users of legal entities of Postexpress services according to their number at the end of the 3rd quarter was more than 50%, and that their share in revenues was 29% (see Table number 5), such findings may indicate that the services of Post Express significantly more are used by small and medium-sized companies, as well as large companies engaged in electronic commerce, use Post Express services mainly for the delivery of documents. The main reason for this division of the market is the rebate policy of postal operators. The discount policy of Post Express contains clear criteria for the application of a certain type of discount, while with other operators there are no clear criteria for the application of a certain amount of rebate, they are even agreed upon orally (specified by certain operators). Details regarding the rebate policy will be presented in a separate section related to the analysis of contractual relations. Also, large merchants prefer smaller postal operators due to their own negotiating power, while small merchants do not have great bargaining power, and based on the lower official price, they choose the cheapest operator, namely Postexpress.

6.3. Complaints of users of express services

The total number of complaints in 2020 in internal postal traffic increased by 79% compared to 2019, with the number of justified complaints increased by 49%, according to data provided by RATEL to the Commission⁸. During the two-year period, the number of justified complaints was on average about 50% of the total number submitted. The largest number of justified complaints related to damage to shipments, where in 2019, their share was about 60%, but the following year, although it achieved a growth of 12%, the share was smaller and amounted to about 47%. Unlike other operators, Post Express had the largest share of valid complaints related to exceeding the deadline, and during these two years it amounted to 80% on average. Following the complaints relating to damage to shipments, the biggest causes of complaints are the extension of the deadline, losses and reductions in the package, and on average, they accounted for between 12% and 28% individually.

Table 17 Justified complaints of users of express services

Courier services	Justified complaints - no		Justified complaints in % of the number of deliveries	
	2019	2020	2019	2020
Aks express	[...]	[...]	[...]	[...]
Bexexpress	[...]	[...]	[...]	[...]
City express	[...]	[...]	[...]	[...]
Post Express).	[...]	[...]	[...]	[...]
Dexpress	[...]	[...]	[...]	[...]
Other	[...]	[...]	[...]	[...]
Total	[...]	[...]	[...]	[...]

Source: CPC calculation based on RATEL data submitted to the Commission

⁸ The data that RATEL submitted to the Commission refer to the structure of complaints by operator for 2019 and 2020, while the data for 2021 was not yet available. Postal operators also submitted data, however, due to the different scope of complaints, the Commission used RATELA data for comparability.

Given that the total volume of express services increased in 2020, the above table shows that it was accompanied by an increase in user complaints. When it comes to user complaints, the regulatory body was granted the authority in the field of complaints by the Postal Services Act of 2019, which allows it to mediate in the out-of-court settlement of disputes between operators and users.

The analysis of the data by operators shows that [...] and [...] have the largest share of established complaints with 33% and 23% on average, while the least are [...] with 9% on average. The highest increase in established complaints was recorded in [...] and was around 85%, followed by [...] and [...], while the smallest was in [...] and [...] and it was 13% and 20% individually.

Based on the above data, bearing in mind the very low percentage of founded complaints in relation to the number of deliveries, the general conclusion is that postal operators perform their activities well. However, for the final assessment of the quality of postal operators' services, it is necessary to analyze other factors. Certain factors were the focus of the analysis from the aspect of competition conditions, the results of which are presented in the next part of the analysis.

7. Conditions of competition from the perspective of service users

For the purposes of sectoral analysis, the Commission sampled 42 legal entities, divided by sector, which represent significant users of express services. They were asked to explain the main aspects of cooperation with courier services. Their answers will be discussed in more detail below. As part of this part of the analysis, the Commission also used the data of the published RATEL research study on the level of satisfaction of users' needs with postal services, both universal and express and courier services.

7.1. Parameters of choosing a courier service

When it comes to the parameters that influence the choice of a specific courier service, the largest number of users of express services in their response to the Commission stated the price as one of the main parameters when choosing a particular courier service. In addition to an acceptable price, the quality of the service, i.e. speed and accuracy, is very important to users of postal services, which means on-time collection of goods from the warehouse and precise delivery with minimal delays and minimal damage, because in the last case it affects the satisfaction of the end customers. The method of resolving disputes and the availability of a complaint service is also an important factor when choosing a postal service provider.

Certain companies that have oversized goods in their range of products stated that the technical and logistical possibility of sending such goods is one of the prerequisites for engaging a specific courier service, stating that a small number of courier services could offer such a service in a certain period. Users of postal services stated that when choosing a courier service, they pay attention to the company's reputation, that is, references and recommendations they can get from other users. Territorial coverage as well as the number and appearance of vehicles can also be considered during selection.

The RATEL study itself showed that in addition to an acceptable price, speed in the performance of services and safety in the transmission of shipments, an efficient reception and

delivery procedure, as well as the attitude towards users, is extremely important. The largest number of participants surveyed by the Commission stated that in the observed period they cooperated with two or more courier services, while 8 participants indicated that they used the services of only one courier service, some for a long time, which can be explained, among other things, by respecting the agreed delivery dynamics shipments and the possibility of logistical adaptation to the number of shipments. A research study conducted by RATEL on a sample of 304 legal entities showed that most of them use the services of Post Express, less but in almost the same representation are the operators Dexpress and Aks express, followed by Bexexpress and City express. When it comes to the structure of legal entities, the analysis showed that half of state-owned enterprises use Post Express services, while legal entities engaged in trade use Dexpress in most cases.

The Commission's research, which included 42 companies, excluding state-owned enterprises, is shown in the following table.

Table 18 Users of express services

Courier services	Choice number
Dexpress	22
City express	22
Bexexpress	17
Aks express	12
Post Express).	7
Total	80

Source: CPC calculations based on data from market participants

The main conclusion that can be drawn is that users cooperate with several operators. Specifically, in the research carried out by the Commission, one company uses the services of two postal operators on average, whereby a certain operator may be chosen more often. According to the results of the Commission's research, the largest retail chains of consumer electronics most often use the services of the operator City express, while the retail chains of sports equipment choose the services of the operator Dexpress. The results of the research showed that no user opts only for the services of Postexpress, and bearing in mind the rebate policy, it can be interpreted that this operator represents a "back-up" option when delivering shipments.

7.2. Other aspects of competition conditions

When it comes to the negotiating power of courier services, especially in relation to users who sell oversized goods, some operators stated that in the segment of the *one man delivery* service, the negotiating power is on the side of the customer, while in the segment of *two man delivery*, the negotiating power is on the side of the courier service. In general, users are of the opinion that competition does exist and a sufficient number of courier services, but there are also few who can offer the transport of oversized goods. Some participants state that the expansion of electronic commerce has led to the strengthening of courier services and their position in negotiations, especially with companies that exclusively sell goods via the Internet. In this part of the analysis, it is important to point out that the RATEL study showed that a large number of legal entities that sell goods via the Internet do not offer users the option of choosing between several postal operators, while the percentage of those who offer this option

is higher in small businesses compared to large enterprises. The commission concludes that this result is primarily due to the greater ability of large companies to obtain volume rebates.

When it comes to termination of cooperation, half of the participants stated that there were no such situations, while the others clarified that cooperation with courier services was terminated mainly due to price increases, frequent customer complaints, courier behavior, decline in service quality, introduction of new fees and costs, delays and incomplete deliveries of goods as well as insufficient capacity for the transport of goods that go beyond the standard shipment.

As for the refusal of cooperation, the majority of users stated that they did not have such experiences, while only users who sell oversized and transport-sensitive goods, such as e.g. monitors and televisions, the refusal of cooperation was primarily based on the impossibility of providing transport and logistics capacities.

The commission also analyzed the measures that users of courier services believe could contribute to reducing the number of undelivered shipments. According to the statements of some participants, the most common cause is on the customer's side, that is, their abandonment of the purchase after the order has been made, mistakes when ordering, ordering on several locations at once, thus forcing the principle of “first come first to serve” basis, etc. On the other hand, users are of the opinion that courier services should improve communication with the customer in terms of more frequent and timely notifications of arrival, delivery in the evening or on weekends, more polite treatment of customers, increasing the number of couriers in the field as well as the number of places where they could to pick up the shipment. Also, certain users are of the opinion that a billing system should be introduced from the end user in case of cancellation of the ordered goods.

When it comes to returned shipments, almost all participants stated that the price for returned shipments is the same as for delivered ones, unless the problem is with the courier service, in which case they bear the postage for the service. Only one participant stated that the price for returned shipments is higher than for delivered ones. The percentage of returned shipments in the total number of shipments for most participants is less than 5%.

When it comes to the percentage share of courier service costs in the selling price of goods, it is clear that with the increase in the value of goods, the share of express service costs in the price of goods decreases. For the largest number of surveyed participants, the average share of the costs of courier services in the price of goods is up to 5%, while five users have costs of less than 1%. For five participants, the percentage share of costs is greater than 10%.

Some users are of the opinion that the introduction of stricter penal provisions for courier services and a longer time for submitting a complaint, which would collect actual damage due to potentially bad storage and handling of shipments, would increase the responsibility of courier services. This would ultimately lead to better and higher-quality service provision.

7.3. Cooperation with digital platforms

Cooperation with digital delivery platforms was indicated by five users of express services, while four indicated that they plan to cooperate in the future. Three participants cooperate with the Glovo application, while one cooperates with Wolt and one participant, in addition to the mentioned benefits, also uses the services of the digital platforms of Ananas, Kupindo and Cargo. One of the participants stated that the goal of cooperation with digital applications that deal with delivery is faster shopping, which cannot be obtained from traditional delivery

companies. On the basis of responses of legal entities that cooperate with the Glovo application, it can be seen that the cooperation is based on the Glovo application listing the products that a certain company wants to sell on their application, and these are mostly smaller products. Products can be sorted by retail stores and end customers are presented the range of products from the store closest to them. When the customer places an order via the application, the Glovo courier moves to the facility and delivers the order to the customer within the next few hours. The customer pays the delivery costs, and the amount charged by the Glovo application, minus a certain commission, is paid biweekly or monthly to the user, i.e. to the company that hired the application.

This mode of cooperation of the user with digital platforms for mediation in the sale and delivery of mostly restaurant food, represents competition to registered postal operators who provide services today immediately. Namely, digital platforms are most often registered in the BRA for consulting activities in the field of information technologies. In reality, they generally perform only intermediary services, and delivery is most often performed by third parties, entrepreneurs who are not registered to provide courier and express services. In fact, such a delivery method, without any insurance of goods and guarantees for delivery, represents competition that does not operate in accordance with the Law and by-laws of MTTT and RATEL.

8. Analysis of contractual relations of postal operators with selected users of courier services

By selecting the sample, in the manner previously described, the Commission addressed companies that perform various types of activities, and that use the services of postal operators in their business. All surveyed companies, in the observed analysis period of 2019-2021, cooperated with some of the 5 postal operators that, in addition to PPO, have the largest share in the observed market. Of the postal operators whose shares are smaller in the observed market, the Commission analyzed the submitted contracts of postal operators DHL International doo, Milsped doo and Gebruder Weiss.

Certain companies cooperated in the observed period with two or more operators, and 5 of them also with platforms (Glovo, Wolt, Kupindo, CarGo technologies and Ananas E-commerce).

In this part of the analysis, the focus was on the content of the contracts of various postal operators and the conditions of business with users.

An analysis of the submitted contracts was carried out, and different names of contract forms were observed: Agreement on permanent express courier services, Agreement on the provision of courier services in internal traffic, Agreement on the provision of parcel delivery services, Agreement on business cooperation, Agreement on business cooperation and mediation.

The entry into contract is almost always preceded by the sending of an offer containing all the important terms of future cooperation.

Postal operators in all their contractual forms state that the General Terms and Conditions form an integral part of the contracts they conclude with their users, whereby the terms must be publicly available on the service provider's website, and are adopted in accordance with

Article 9 of the Law on Postal Services. The general terms of business define the type of services provided, the territory, packaging of shipments, what illegal contents of shipments are prohibited, disposition of the shipment, handling of undelivered shipments, complaints and deadlines for the same, as well as compensation for damages.

Aks ekspres

[...]

Bexexpress

[...]

City express

[...]

Dexpress

[...]

Post Express

[...]

Conclusion on contract analysis

During the analysis of the submitted contracts and annexes, no provisions were observed, the wording of which would indicate a violation of competition, which would be defined by a specific contractual provision.

However, the general finding regarding rebates is that postal operators do not have a rebate policy, and most of them do not even have clear criteria, but the rebate is applied to each user in such a way that they are given a special price list valid for the agreed conditions.

In this regard, it should be borne in mind that certain postal operators have significant amounts of rebates, which range up to 40%. The existence of criteria regarding the number of shipments for the realization of such high amounts of rebates with some operators makes the application of rebates transparent in terms of conditions, but the absence of a rebate policy leaves the possibility for them to be applied selectively.

On the other hand, there is also a rebate that is contracted by annexes with individual postal operators, as mentioned above, without the possibility to determine in what way and under what conditions that rebate was approved.

By analyzing offers for cooperation that precede the contract, it is not possible to determine what the criteria are for offering a certain more favorable price and in what percentage. It was observed that postal operators state the criteria for the application of rebates, but their application is not such that the criteria for the application of a certain amount of rebate can be clearly established. Some users stated that they did not have offers for cooperation, but such were negotiated orally.

Generally, the rebate is not approved for earlier payments, and the payment deadline is from 5 to 30 days. If such deadline is not abided by, the postal operators suspend the service by refusing to accept the goods. The reasons for termination of cooperation by the user were as follows: announcement of price increase, delivery delays, inability to integrate the system,

expiration of the contract, inability to deliver bulk shipments. While interruptions of cooperation by postal operators are an exception and are mostly about oversized shipments.

9. Concluding considerations and recommendations

9.1. Findings and conclusions of the analysis

- 1) The market of postal services in the Republic of Serbia is regulated by the Law on Postal Services and by-laws that prescribe the competences and powers of the Government, the Ministry and the Regulatory Agency. By defining the legal framework of postal activity by passing laws and by-laws, as part of the negotiations on Stabilization and Association, Serbia has almost completely harmonized its regulations in this area with EU legislation, which is expected to be fully harmonized in the coming period through amendments to the Law.
- 2) The market of other postal services is almost entirely made up of express services, both in terms of volume and revenues. The dominant category of shipments for express services in internal postal traffic is goods with about 85% share in the total volume of deliveries, that is, about 90% of realized revenues.
- 3) The structure of the express services market in the Republic of Serbia is oligopolistic, with 5 large operators controlling 99% of the market, without a dominant market participant. In the observed period, the market evolved from a moderately concentrated to a highly concentrated market.
- 4) The prices for providing express services were successively increased by 3 or more operators at certain time intervals. Such changes potentially indicate parallelism, or possible horizontal price agreements, which in economic terms have identical effects on service users.
- 5) The intensive development of electronic commerce encourages the development of the entire postal sector, and above all the sector of providing express services. It is expected that with the development of electronic commerce, the tendency of vertical integration between digital platforms (e-merchants) and postal operators will continue.
- 6) In the analysis in question, the commission did not see any barriers to entering the market. Although the market is partially regulated, there are clear and simple rules that must be met in order for companies to obtain a license to perform the activities of postal operators.
- 7) The commission noticed that certain users of the services of postal operators also use the services of digital platforms for delivery. Given that the business of digital platforms is not regulated by the Law, unlike postal operators, they represent competition to postal operators in the segment of goods and document delivery, which does not operate in accordance with the Law and by-laws related to postal services.

- 8) The commission concluded that there are no identical conditions of competition for all participants in the market of express services. Namely, the fact is that PPO (Post Express) is exempt from the obligation to pay VAT, which represents a significant competitive advantage compared to other market participants. It is also a fact that other postal operators, unlike Post Express, lead a non-transparent and selective rebate policy, which potentially limits competition.

9.2. Recommendations

When making recommendations, the Commission, based on previous findings and conclusions, was guided by one of the main principles of competition protection policy, which is equal business conditions. In relation thereto, the Commission makes the following recommendations:

- 1) The Commission recommends the Ministry of Finance to review Article 25 of the Law on VAT and its application on the market of other postal services, given that thus formulated it does not provide equal conditions for all market participants, which is contrary to the rules of competition. Taking into account the legal regulations of the European Union, as well as domestic regulations, while respecting the position of certain market participants on the unequal position of Post Express and its competitors, it is necessary to ensure equal business conditions on the market.

In this regard, the fact that the PPO is, in accordance with Article 25 of the Law on VAT, exempted thereof, including other postal services, poses a competitive advantage of Post Express compared to other market participants. Namely, as PPO is authorized to provide universal postal service, as well as reserved services entrusted to it by the Law and whose prices are approved by the Government, exemption from payment of VAT in this case is completely justified, considering that these are services of general interest. However, for other postal services, in which participants compete for each potential client and where Post Express, as a courier service of the Post of Serbia, concludes contracts with different business users, the fiscal treatment of all postal operators should be equal, and the other postal services that PPO provides, should be included in the VAT system.

In support of this, the Proposal of the resolution of the European Parliament on the implementation of the Directive on postal services from 2016 can be cited (**2016/2010(INI)**), in which, among other things, it is noted that guaranteeing an exemption from paying VAT for services that are not just a universal service only to the existing service provider, while other providers are subject to paying VAT, represents a significant obstacle to the development of competition on the market⁹.

In addition, the interpretation of the VAT Committee on the application of Article 132 can be mentioned. Directives of the Council of the European Union on the common system of value added tax (Council Directive 2006/112/EC¹⁰ on the common system of value added tax) where the aforementioned article exempts certain activities of public interest from paying VAT, one of them being the delivery of services performed by public postal services. By interpreting the application of VAT provisions in the European Union

⁹ <https://www.europarl.europa.eu/doceo/document/A-8-2016-0254HR.html>

¹⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32006L0112>

(Question concerning the application of EU VAT provisions¹¹) or Article 132 of the Directive, the VAT Board states that it covers any postal operator that qualifies as a universal postal service provider, i.e. a public or private provider, whereby specific services that can be separated from services in the public interest are subject to individually negotiated conditions, cannot be excluded.

Looking at examples of tax treatment of postal services in the region, we can see that Croatian Post is exempt from paying VAT on the universal postal service, while VAT is calculated on other postal services and supplementary services. The example of the Post of Montenegro also shows that the VAT Law provides for exemption from VAT for "public postal services", whereby the turnover of commercial postal services is subject to VAT.

- 2) It is recommended that RATEL adopts a by-law that would ensure transparency and non-selectivity in relation to the price and rebate policy for all market participants.

Namely, although according to Article 30 of the Law, the postal operator is not obliged to publish the price list on its website, i.e. it should be displayed in a visible place on the premises and delivered to the user upon request, the Commission believes that all postal operators should enable the availability and reliability of all information about prices, types of services and terms of providing postal services on their official websites. RATEL, in accordance with the Law, adopts by-laws and implements activities aimed at ensuring competition on the market of postal services. The findings of the analysis indicate that most of the included postal operators have a non-transparent rebate policy. Certain operators, such as DHL, do not publish price lists of the services provided on their website. Given that the prices of certain operators are agreed verbally, it remains an open question whether the agreed prices are in line with the contracts. Postal operators who provide express services can discriminate against the users of their services with the existing rebate policy. Although the official price lists of certain operators are publicly available, they do not represent real, but rather maximum prices for basic services in domestic traffic. RATEL as a regulatory body, guided by the principles of transparency and non-discrimination, should create equal conditions for users of postal services when choosing a postal operator.

- 3) It is recommended to the competent MTTT to start drafting relevant regulations that would regulate delivery via digital platforms.

Digital platforms are not entities that directly deliver, but mostly deliver goods through the so-called third-party providers who are not registered for the activity of providing postal services. Therefore, they represent competition to postal operators. Digital platforms do not operate in accordance with the Law and by-laws related to postal services. The Commission is aware of the fact that this area is not yet regulated or governed at the level of the European Union, and that it is in the process of adopting regulations that directly or indirectly relate to this market. Also, at the time of drafting these recommendations, the Commission is conducting a sectoral analysis of the state of competition on the market of digital platforms for mediation in the sale and delivery of mainly restaurant food and other products, in which more detailed findings and recommendations will be presented, which concern relations with delivery people, the so-called providers.

¹¹ <https://circabc.europa.eu/sd/a/81c653f5-de33-49a5-96b2-b94537f6dbb6/WP%20960%20-%20Exemption%20public%20postal%20services.pdf>

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