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Swedish Postal Market 2024

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Introduction

The Swedish Post and Telecom Authority is responsible for the monitoring, analysis and reporting on the development of the postal market. Our annual report – *Swedish Postal Market* – is an important part of this work. The report provides the reader with an overall picture of the postal market and PTS's work on regulation, follow-up and supervision in this area.

Since 2000, two out of three physical letters have been replaced by digital communication in Sweden. Although we have already seen a very large decline in letter volumes, a continued dramatic decline is expected as public stakeholders increasingly shift to communicating with the population via digital messages. This development is increasingly affecting the conditions for postal operators to operate in the market. This development also raises the question of what requirements society should place on a universal postal service to ensure that the changing needs of users are met.

To meet the changes, PTS's assessment is that prices for letter delivery will need to rise significantly for private individuals, organisations and companies alike. The unit cost of distributing a letter increases as the number of letters decreases, but despite this, prices have not been raised correspondingly.

Over the next few years, the regulatory framework will need to change, both in Sweden and in the EU. In 2024, PTS chairs the European Regulators Group for Postal Services (ERGP) and is working together with other supervisory authorities on a review of the EU Postal Services Directive, which largely forms the basis for Swedish legislation on the postal market. This and similar analyses form an important basis in such work for creating an international understanding of how the Swedish postal market works and how we in Sweden work to secure the users' needs for postal services in a market rapidly being digitised.

Dan Sjöblom
Director General

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Abbreviations and terminology

Terms used in the report

Address location: a location that, according to Lantmäteriet's Land Registry, indicates a residential or business address; usually the entrance to the building containing the residence or business.

Letter: an addressed item enclosed in an envelope or other type of covering and weighing a maximum of 2 kg, as well as postcards, cards, and similar items.

Parcel letter: a consignment of goods weighing 0-2 kg processed and delivered within the mail flow.[1]

Parcel delivery services: services that include the collection, sorting, transport, and delivery of parcels.

Parcel locker: is a locker or a box where the recipient can receive goods consignments.

Postal device: letter box, mail slot (letter plate), mailbox in a property mailbox, or similar device for receiving postal items.

Postal activities: regular collection, sorting, transport and delivery of letters for payment.

Universal postal service: Postnord is currently the designated provider of the universal postal service.

According to Chapter 1, Section 2 of the Swedish Postal Services Act, universal postal service is a postal service that must be available throughout the country, of good

[1] There is no definition in the Postal Services Act for the small parcels that, like 'ordinary letters', are delivered within regular delivery routes. In postal legislation, both types of items constitute *letters* and the delivery of these constitutes postal activities subject to a permit. Marketwise, however, parcel letters compete with 'ordinary parcels' (primarily B2C), which in many cases are within the weight range 0-2 kg and where only the manner of conveying the consignment to the recipient differs. The lack of a clearly defined term has created some difficulties in previous reports to refer to these items in a consistent and clear manner. For this reason, PTS has introduced the term *parcel letter*, which corresponds to the English term 'packet'. The introduction of the term also makes it easier to avoid using different operators' service designations such as Varubrev (light goods mail item), Postlådepaket (small parcel), and Brevlådepaket (mailbox parcel).

quality and that enables all users to receive postal items and to deliver such items at reasonable prices for carriage.

Chapter 3, Section 1 of the Postal Services Act states that the universal postal service must meet the requirements that:

1. at least one collection and at least one delivery of postal items shall be carried out every working day and at least five days a week, except in circumstances or geographical conditions deemed as grounds for exemption by the licensing authority;
2. the dispatch and drop-off points shall be so close together as to consider users' needs;
3. compliance with the provisions on transit times announced by the Government or the authority designated by the Government;
4. it shall be possible to insure postal items and to obtain a receipt confirming that a postal item has been received;
5. single postal items shall be transported at uniform prices; and
6. the terms of service shall be publicly available.

Abbreviations for organisations

ERGP: The European Regulators Group for Postal Services

PTS: Swedish Post and Telecom Authority

UPU: Universal Postal Union

Laws and directives

EU Parcel Regulation: Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services.

Swedish Post and Telecom Authority's regulations on notification and provision of other information relating to parcel delivery services; PTSFS 2020:3

EU Postal Services Directive: Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service, as amended by Directive 2002/39/EC of the European Parliament and of the Council of 10 June 2002 and Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008.

Swedish Postal Services Act (SFS 2010:1045)

Swedish Postal Services Ordinance (SFS 2010:1049)

The Swedish Post and Telecom Authority's regulations and general guidelines on the delivery of mail in the provision of a universal postal service, PTSFS 2022:20.

Summary

The Swedish Post and Telecom Authority (PTS) is responsible for the monitoring, analysis and reporting on the development of the postal market. In step with the digitalisation of society, the postal market is being radically reshaped by users sending more parcels and fewer letters. Since 2000, two out of three physical letters have been replaced by digital communication in Sweden, and a similar development is taking place in Europe. Despite the fact that Sweden has already seen a very large decline in letter volumes, it is expected to continue. Public authorities, municipalities and regions still send a significant part of their communication with the population by letter, but within a few years a large proportion of these letters will probably have been transformed into secure digital messages delivered to the recipient's digital mailbox.

The unit cost of distributing a letter increases as the number of letters decreases. Unless the price is increased to the same extent as the cost per letter increases, the revenue of the letter service will not cover the costs. It is reasonable for us users to pay for what it costs to send a letter if we want to be sure that the service is of good quality and that the letter is delivered on time. PTS sees that in the long term the letter will become a premium service that will primarily be used when an item of correspondence needs to be physically transported. Either because of the nature of the content or because the sender or recipient for some reason does not use digital means of communication.

In 2023, postal operators delivered approximately 1.19 billion letter items on the Swedish letter market, of which approximately SEK 1.1 billion consisted of traditional letters and approximately SEK 63 million were parcel letters.[2] Total sales in the letter market amounted to SEK 8.1 billion, of which traditional letters accounted for SEK 6.4 billion and parcel letters for SEK 1.7 billion. Compared to the previous year, the total number of letters decreased by 12 percent and turnover decreased by 4 percent. The total figures hide the fact that while traditional letters have decreased by 13 percent and turnover by 10 percent, the number of parcel letters has increased by 15 percent and turnover by 26 percent.

[2] Parcel letter is a consignment of goods weighing 0-2 kg processed and distributed as part of the mail flow. See also section Abbreviations and terminology.

Postnord is still the largest stakeholder in the market for traditional letters and had a market share of 70-75 percent (in terms of volume) in 2023. Postnord's biggest competitor is Citymail, which had a market share of 20-25 percent. PTS notes that the market for traditional letters is still a highly concentrated market. This is particularly true for certain sub-segments, such as nationwide letters, where Postnord is basically the only stakeholder.

Postnord is also the largest stakeholder in the parcel letter market, with a market share of 60-65 percent (in terms of volume). This is followed by the ten distributors working together as part of Early Bird, with a combined market share of 25-30 percent, followed by Citymail (5-10 percent). Market concentration has decreased in both sub-markets in 2023, and particularly in the parcel letter market.

During the summer of 2022, the number of complaints to the Authority regarding deficiencies in letter delivery and the reliability of Postnord's services increased. PTS therefore decided in August 2022 to initiate supervision with the aim of investigating what had happened and ensuring that Postnord would rectify the delivery problems. The delivery problems that emerged in the complaints described by users were also closely linked to how well Postnord complied with the delivery time requirements (described below). In the supervisory matter, PTS ordered Postnord to prepare a risk analysis with an action plan regarding the delivery problems. Postnord was presented with a number of different measures that PTS continued to follow up in its supervision. The supervision was terminated in December 2023 as PTS then assessed that Postnord had a clear plan for maintaining reliable operations.

An important part of quality monitoring in the postal market is the measurement of the percentage of single domestic letters that are delivered on time in accordance with the provisions set out in Section 6 of the Swedish Postal Services Ordinance. The regulations stipulate that a minimum of 95 percent of the domestic letters that have been handed in for delivery within two days after posting, and which were posted on time, must be delivered within two subsequent business days, irrespective of where in the country the letters were posted. On average, Postnord delivered 93.1 percent of two-day letters on time at national level in 2023. The corresponding figure for 2022 was 94.7. In 2021, the figure was 97.9 percent. This means that, during 2022 and 2023, Postnord has not managed to meet the delivery requirements for the universal postal service at the national level.

PTS takes this issue seriously. The Authority will continue to monitor developments in 2024 to verify that Postnord's long-term work to ensure quality leads to the delivery time requirement being met again.

1. Market and pricing

1.1 PTS's analysis of developments in the postal market and appropriate measures to face the changes

PTS is working to ensure that we in Sweden continue to have a universal postal service that meets the changing needs of society and thus has an appropriate level of service and quality nationwide.

In summary, to meet the changes in the postal market, PTS assesses that prices for letter delivery will need to rise significantly for private individuals, organisations and companies alike. In other words, an adaptation through price increases will need to take place to maintain the service that users need. Below, PTS accounts for how the Authority has reached this conclusion.

The section also presents some of the alternative solutions to meet the changes in the postal market – adaptation through a change in service level and adaptation through funding to the universal postal service provider.

1.1.1 Continued decline in letter volumes

In step with the digitalisation of society, the postal market is being radically reshaped. Since 2000, two out of three physical letters have essentially been replaced by digital communication in Sweden. The digitalisation of society has led to major changes in users' communication habits, with an increasing degree of transition from written to digital communication. The number of letters has decreased each year (see also section 1.2.3). A similar development is also taking place from an international perspective, although it differs between different countries depending on, for example, how far digitalisation has come and cultural differences in communication patterns. Although we have already seen a significant decline in letter volumes in Sweden, PTS believes it will continue at a rapid pace. For example, public authorities still send a significant part of their communication with the population by letter, but within just a few years, a large proportion of these letters will probably have been converted into secure digital messages delivered to the recipient's digital mailbox. A public inquiry is currently underway into the possibility of introducing an obligation for private individuals and companies to receive digital mail and an obligation for public authorities, municipalities and regions to send digital mail. The committee will submit its proposal before the summer.[3]

Digitalisation is fundamentally positive for society. When it comes to digitalisation of written messages, it contributes, among other things, to increased economic and ecological sustainability through lower postage costs and reduced emissions as a result of, among other things, fewer transports.

1.1.2 Adaptation through price increases

What makes the decline in volume described above particularly problematic for postal operators is that letter distribution has a large proportion of fixed costs that are not affected by the number of letters to be delivered – i.e. costs that are fixed in relation to the letter volume. The mail carriers need to walk or drive their delivery route even if there are relatively few letters to deliver along the route that day. Transport of letters also need to take place nation-wide, and a half-empty transport costs almost as much to drive as a fully loaded one. There are also significant fixed costs for letter sorting centres, where letters are sorted by advanced sorting machines that require large premises. All in all, this leads to a sharp increase in the unit cost of delivering a letter as the number of letters to be delivered decreases.

Despite the fact that the unit cost of distributing letters is increasing, the prices have not been raised correspondingly. During the period 2013 to 2021, nine EU countries had a higher rate of price increase for standard postage (for stamped letters) than Sweden, in many cases significantly higher.[4] Italy had the highest price increase with 300 percent, followed by the Czech Republic with 262 percent and Estonia with 233 percent, compared with Sweden's 89 percent.5 The Swedish postage for private individuals is low compared to the rest of the Nordic region and close to the European average, but is still significantly higher than what corporate customers pay per letter (see also section 1.4). Letters sent by private individuals currently account for less than 10 percent of total letter volumes, and the postage for companies is considerably lower than SEK 18 (the postage for a stamped letter up to and including 50 grams), which means there is room for further price increases.

Unless the price is increased to the same extent as the cost per letter increases, the revenue of the letter service will not cover the costs. PTS considers that it is

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[3] Tilläggsdirektiv till Postfinansieringsutredningen [Supplementary Directive to the Inquiry on Financing of Postal Services], Dir.2023:7.

[4] Italy, Czech Republic, Estonia, Greece, Slovenia, Belgium, Finland, France and Spain.

[5] Calculations based on data from the study commissioned by the European Commission Main Developments in the Postal Sector 2017-2021, Vol. 2 Country Fiches.

reasonable for us users to pay for what it costs to send a letter if we want to be sure that the service is of good quality and that the letter is delivered on time.

1.1.3 Adaptation through a change in service level

In addition to raising the price, there are other measures to counteract the loss-making letter service – for example, reducing costs by changing the service level of the services by changing the way letters are distributed. It may be that the letter takes a little longer to arrive and will not be delivered directly to your home if you do not need it due to age or disability. What has already happened (from 2018) is an extension of the transit time from delivery the day after letters have been handed in (so-called overnight delivery) to delivery within two days, which has given the universal postal service provider, Postnord, an opportunity to deliver most letters every other day instead of every day. When the mail carriers do not have to drive their routes every day, the cost is of course significantly reduced.

The Government-appointed Inquiry on Financing of Postal Services (*Sw. Postfinansieringsutredningen*) proposed in its report *Posttjänst för hela slanten* [Postal service all the money] (SOU 2023:4) that the postal regulation's requirements on delivery time should be changed to delivery within three days. Postnord has recently gone public with a request for a further extension of the delivery time and also requested that the quality requirement, that 95 percent of letters shall be delivered on time, should be reduced to 85 percent.[6] The purpose of the operator's request is to change the delivery model to even fewer deliveries per week and thereby reduce costs.

The universal postal service shall meet the postal services needs of the population and society as a whole, and with that, the letter service offered in the future must also have a level of service (in terms of delivery time, quality and accessibility) that meets the needs of society. Unilaterally basing changes to the postal service on cost minimisation risks leading to services no longer meeting the needs of users and that the level of service is perceived as so low that the decline in demand accelerates further. In PTS's view, any changes to the universal postal service must take thorough studies of the needs of users and society into consideration.

Despite the fact that the vast majority of routine communication from both public authorities and companies will eventually be digitised, there will probably be some need for letter services. Despite various initiatives from society, there will be groups that, for various reasons, do not use digital alternatives. Furthermore, it is likely that some forms of important and/or personal communication are still best handled

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[6] Swedish Radio 3 February 2024: https://sverigesradio.se/artikel/postnords-vd-darfor-behover-vi-fem-dagar-att-dela-ut-post

through physical letters. In this situation, letter delivery will be a premium service and for this type of item, it is reasonable for users to pay what the distribution actually costs.

1.1.4 Adaptation through funding to the universal postal service provider

In its report, the Inquiry on Financing of Postal Services also proposed that the provider of the universal postal service should be able to receive compensation for the net cost incurred by the provider as a result of the requirements imposed on the service in the postal regulation (in comparison with the service the provider would offer if it were not subject to any regulatory requirements). The picture presented in the inquiry on the future predicted unprofitability of the letter services, i.e. that the costs of the letter services will exceed revenues within only a few years, is essentially based on forecasts from Postnord. PTS has not examined in detail the assumptions made, for example, regarding price developments. It is unclear whether the forecasts really include optimally[7] calculated price increase margins. In its consultation response to the Inquiry's report, the Swedish Competition Authority noted 'that the Inquiry has not analysed the possibility that the provider can compensate for the declining letter volumes through streamlining and/or adjusted prices'. PTS shares this view. State intervention through significant funding of a stakeholder is likely to have an impact on market competition. Before such an option is considered, other options should be exhausted, such as further price increases. In addition, the consequences should be carefully investigated. However, public interventions may be needed in the future in certain geographical areas and for certain services to ensure a good postal service nationwide.

As letter services are replaced by digital alternatives, it is likely to be preferable to use public funds for digital inclusion efforts to enable as many people as possible to use these digital alternatives, rather than provide support to individual stakeholders in the postal market and risk distorting existing competition. In some cases, targeted financial support may be needed for those users who continue to rely heavily on communicating by means of written messages.

1.2 The Swedish letter market

PTS has the task of continuously monitoring developments in the postal market, ensuring that postal services meet the needs of society, promoting effective competition and monitoring price developments.

As in previous years, PTS presents its market analyses of the letter market in this section. For market analyses of the parcel market, please refer to PTS's report *Den*

[7] That is, taking into account the price elasticity of the various letter services.

svenska paketmarknaden [The Swedish Parcel Market], which will be published after the summer.

1.2.1 Scope of the letter market

Postal operations are defined in the Swedish Postal Services Act as 'regular collection, sorting, transport and delivery of letters for payment'. Letter is defined as an 'addressed item enclosed in an envelope or other type of covering that weighs a maximum of 2 kg, as well as postcards, cards, and similar items'.

The Swedish Postal Services Act does not define items based on their content. However, PTS notes that letter items are generally used for two purposes: to send written messages, and to send goods and objects. In recent years, the digitalisation of the market has led to these two segments developing in different directions, with falling volumes of traditional letters and an increasing number of goods consignments. To distinguish these two conflicting trends, PTS collects statistics on letter items divided into two sub-segments:

- 'Traditional letters': services up to 2 kg, intended for sending written messages.
- 'Parcel letters': services up to 2 kg intended for sending goods and objects.

According to the Swedish Postal Services Act, a licence is required for the regular delivery of letters for payment. In 2023, 24 companies were licensed to conduct postal activities.[8] Of these, three stakeholders did not have their own delivery in 2023 (Bring Mail Nordic AB, MailWorld Office AB, and Mediakonsult in Gothenburg) and are therefore not included in the collection. Two stakeholders have not responded to the survey (Georgsson Mail AB and Sundsvalls Citypost). This means that the analysis in this chapter is based on data from 19 companies.

1.2.2 Metrics for market analysis

In this chapter, two metrics are used for market analysis:

- <u>Market shares</u>: Market shares are usually calculated based on value (e.g. turnover), which is considered a good measure of a company's overall ability to overcome market barriers and offer products that are attractive to consumers. The exception is when the market is very homogeneous, where market shares based on volume can give a more accurate picture. The reason is that a company in a homogeneous market offering a cheaper product can have a relatively large impact on competition (and take a large

[8] See the list of postal operators licensed to operate postal activities (link)

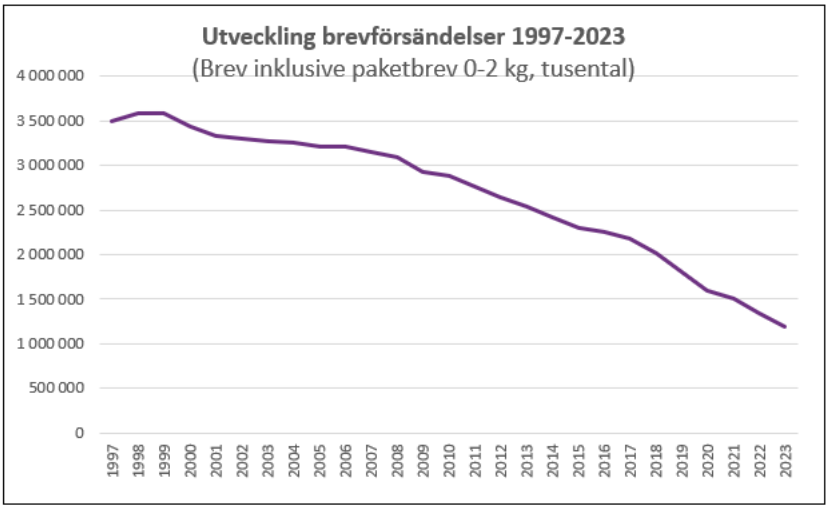
share of the volumes) without necessarily having high revenues.[9] As the letter market is a relatively homogeneous market, PTS conducts the main analysis based on market shares calculated on volume, but in order to provide a complete picture, market shares are also presented in terms of turnover.

- Herfindahl-Hirschmann Index (HHI): a measure of market concentration, calculated as the sum of squared market shares. An HHI value below 15% means low market concentration, a value between 15 and 25% means moderate market concentration, and a value above 25% means a high market concentration.[10]

1.2.3 Changing communication patterns lead to continuously falling letter volumes

The digitalisation of society has led to major changes in users' communication habits, with an increasing degree of substitution from written to digital communication. Since the end of the 1990s, the total number of letter items (including parcel letters) has decreased every year. Between 1997 and 2023, the number of items has decreased by 66%.

Figure 1: Development of total letter volumes (thousands) 1997-2023



Over the period 2000-2010, the Compound Annual Growth Rate (CAGR) was -1.7%, increasing to -5.8% in the period 2010-2020 and to -9.2% in the period 2020-2023.

[9] Busu (2012), An economic analysis of the degree of market concentration: Competition indicators; Department of Justice & FTC (2010), Horizontal Merger Guidelines

[10] Competition indicators; Department of Justice & FTC (2010), Horizontal Merger Guidelines.

These figures refer to the total volume of letter items, i.e. both traditional letters and parcel letters. If parcel letters are excluded, the decline is even sharper.

1.2.4 Volumes and turnover in the letter market 2023

In 2023, postal operators delivered approximately 1.19 billion letters on the Swedish letter market, of which approximately 1.1 billion consisted of traditional letters and approximately 63 million were parcel letters. Total sales in the letter market amounted to SEK 8.1 billion, of which traditional letters accounted for SEK 6.4 billion and parcel letters for SEK 1.7 billion.

Table 1: Volumes and turnover in the letter market 2023

Postmarknaden 2023	Utfall 2023		Tillväxt 2022-2023	
	Volymer (mnst)	Omsättning (mdkr)	Volymer	Omsättning
Traditionella brev 0-2 kg	1 126	6,4	-13%	-10%
Paketbrev 0-2 kg	63	1,7	15%	26%
Totala brevförsändelser	**1 189**	**8,1**	**-12%**	**-4%**

Compared to the previous year, the total number of letter items has decreased both in terms of volume (-12%) and turnover (-4%). The totals hide the fact that while traditional letters have declined (-13% volume, -10% turnover), parcel letters have increased sharply, with 15% growth in volumes and 26% growth in turnover.

1.2.5 Postnord maintains strong position in the letter market

1.2.5.1 Market shares and market concentration (traditional letters)

Postnord has held a strong position in the letter market ever since the liberalisation of the market in the early 1990s. In recent years, however, the stakeholder has continuously lost market shares to the benefit of the smaller stakeholders in the market.

Postnord remains the largest stakeholder in the traditional letter market, with a market share of 70-75% (in terms of volumes) in 2023. Postnord's biggest competitor is Citymail, which has a market share of 20-25%. This is followed by the ten distributors working together as part of Early Bird, which together have a market share of 1-5%. After that, there are seven local stakeholders that both individually and collectively have a market share of less than 1%.

Table 2: Market shares and market concentration (traditional letters) based on volume and turnover, respectively, in 2023

Postoperatör	Marknadsandel (volym) Traditionella brev (0-2 kg)	
Postnord	70-75%	-1
Citymail	20-25%	1
Early Bird (10st)	1-5%	0
Lokala aktörer (7st)	<1%	0
HHI	**61%**	**-1**

Postoperatör	Marknadsandel (omsättning) Traditionella brev (0-2 kg)	
Postnord	85-90%	-2
Citymail	10-15%	1
Early Bird (10st)	1-5%	0
Lokala aktörer (7st)	<1%	0
HHI	**76%**	**-2**

Not: röd markering = minskning; grön markering = ökning

Compared to last year, Postnord has lost one percentage point, while Citymail has strengthened its position by one percentage point. The market shares of the other stakeholders are more or less unchanged, with either an increase (green) or decrease (red) of less than one percentage point.

A calculation of the Herfindahl-Hirschmann Index (HHI) gives a value of 61% (volume), which implies a high degree of market concentration. However, the concentration has decreased by one percentage point during the year. However, PTS notes that the market for traditional letters is still a highly concentrated market. This is particularly true for certain sub-segments, such as nationwide letters, where Postnord is basically the only stakeholder.

If the analysis is instead based on market shares calculated on turnover, we get a similar picture, but it can be noted that Postnord's market share is greater (85-90%), and that concentration is also higher (76%). However, both market concentration and Postnord's market share have fallen during the year and to a greater extent than when the measures are calculated on volume.

1.2.5.2 Market shares and market concentration (parcel letters)

As mentioned above the letter market includes both traditional letters and lighter goods consignments distributed in the letter distribution network. Since 2019, PTS has the ability to separate the parcel letters from the total letter volumes.

Postnord is also the largest stakeholder in the parcel letter market, with a market share of 60-65% (in terms of volume). This is followed by the ten distributors working together as part of Early Bird, with a combined market share of 25-30%, followed by Citymail (5-10%). In addition, there are a small number of small, local stakeholders, which together have a combined market share of less than 1%.

Table 3: Market shares and market concentration (parcel letters) based on volume and turnover, respectively, in 2023

Postoperatör	Marknadsandel (volym) Paketbrev (0-2 kg)	
Postnord	60-65%	-2
Early Bird (10st)	25-30%	-1
Citymail	5-10%	3
Lokala aktörer (2st)	<1%	0
HHI	**49%** ↓	-3

Postoperatör	Marknadsandel (omsättning) Paketbrev (0-2 kg)	
Postnord	70-75%	0
Early Bird (10st)	20-25%	-2
Citymail	5-10%	2
Lokala aktörer (2st)	<1%	0
HHI	**59%** ↓	**0**

Not: röd markering = minskning; grön markering = ökning

Compared with the previous year, Postnord's market share has decreased by 2 percentage points (in terms of volume) and Early Bird's market share has decreased by 1 percentage point. In contrast, Citymail has strengthened its position by 3 percentage points during the year. Other stakeholders are relatively unchanged, with a slight increase of less than one percentage point.

A calculation of the Herfindahl-Hirschman Index (HHI) gives a value of 49%, which implies a high level of market concentration, which, however, has decreased by 3 percentage points during the year. The decrease in the index reflects the fact that the two largest stakeholders have lost ground slightly to the smaller stakeholders.

If the analysis is instead carried out on the basis of market shares calculated on turnover, we get a similar picture, but it can be concluded that both Postnord's market share and market concentration are greater. Postnord's market share in terms of turnover remained relatively stable during the year, in contrast to the same measurement in volume, which possibly reflect that the stakeholder has been able to maintain market shares in terms of turnover by raising prices. During the year, HHI has also decreased in terms of turnover, although it is a relatively small decrease of less than one percentage point (about -0.5).

1.2.5.3 Market shares and market concentration (evolution over time)

Since 2019, PTS has been able to distinguish parcel letters from the total letter volumes, which makes it possible to analyse the development of measures of concentration over time separately for the two sub-segments, traditional letters and parcel letters.

Table 4: Market shares and market concentration over time (2019–2023) for traditional letters and parcel letters

Traditionella brev (baserat på volym)

	2019	2020	2021	2022	2023	2019-2023
HHI	66%	66%	64%	63%	61%	-4
CR1	75-80%	75-80%	75-80%	75-80%	70-75%	-4

Not:
HHI: marknadskoncentration
CR1: marknadsandel hos största företaget

Paketbrev (baserat på volym)

	2019	2020	2021	2022	2023	2019-2023
HHI	76%	66%	56%	52%	49%	-27
CR1	85-90%	75-80%	65-70%	65-70%	60-65%	-23

As the chart above shows, both market concentration (HHI) and the market share of the largest company (Postnord) (CR1) have decreased over time. However, the development has been more cautious in the market for traditional letters (where both HHI and CR1 have decreased by about 4 percentage points since 2019), compared to the development in the market for parcel letters, where HHI has decreased by 27 percentage points, and CR1 by 23 percentage points, since 2019.

1.2.5.4 Concluding remarks

In this section, PTS has examined the competitive situation in the letter market, divided into traditional letters and parcel letters. Postnord is still the largest stakeholder in both sub-markets, but has lost market shares during the year, particularly to Citymail. Similarly, market concentration has decreased during the year in both sub-markets and in particular in the parcel letter market. In summary, PTS can conclude that, despite this relatively positive development, there is still a relatively high degree of market concentration in both sub-markets, and in particular in the market for traditional letters.

1.3 Continued compliance with the Postal Services Ordinance's price ceiling

Postnord, the designated provider of the universal postal service, must take into account the rules on pricing set out in the Postal Services Ordinance and the Postal Services Act when making price adjustments. The price increase ceiling, which follows from Section 9 of the Swedish Postal Services Ordinance, applies to stamped letter items. In addition to inflation, the price increase ceiling also allows for a price increase margin based on the increased unit costs resulting from the volume decline.

On 1 January 2023, Postnord increased postage by SEK 2 (from SEK 13 to 15), which is an increase of 15%. This is within the permitted margin, as the total margin for 2023 considering inflation and volume reduction was 36% according to the Swedish Postal Services Ordinance's rule.

On 1 January 2024, Postnord increased postage by SEK 3 (from SEK 15 to SEK 18), which corresponds to an increase of 20%. PTS has not yet been able to assess this increase as the volume development for stamped in 2023 has not yet been determined (shall be done no later than by 30 June 2024). As there was an unutilised price increase margin from the previous year and letter volumes have fallen overall, also in 2023, PTS considers it likely that this increase is also within the permitted range.

2. Service & Quality

PTS regularly conducts various surveys, analyses and follow-ups on issues relating to various aspects of the postal services' service and quality. This includes studies on the needs of different user groups for postal services and how these evolve over time. PTS is also tasked with monitoring, analysing and, if necessary, taking action on users' complaints or comments to PTS or one of the postal operators. Finally, PTS monitors letter delivery times, issues such as distance to a network of service points or other postal service, letter delivery times, exceptions to five-day delivery, and work on postal services for users with special needs.

This section presents an overall picture of the service level and quality of postal services, based on the aspects described above.

2.1 Surveys of users' needs for postal services

PTS regularly conducts surveys of users' needs for postal services to ensure that the universal postal service meets society's needs. The surveys show that users are generally relatively satisfied with the universal postal service but that some user groups have special needs. It is important to have predictability, reliability and to know when the item will arrive, so that users receive the contracted service.

2.1.1 Use of postal services by the population 2023

Since 1997, PTS has been conducting a quantitative survey of private individuals to identify users' needs for postal services and to ensure that the universal postal service meets the needs of society, called *Befolkningens användning av posttjänster*. Fewer and fewer Swedes feel it is affordable to send letters. The result poses a challenge as postage may need to be increased for both individuals and companies in order to maintain a service that meets the needs of the users. The proportion of people who are satisfied with postal delivery has decreased since 2011. However, whether the respondents think it is affordable or not to send letters domestically has no relation to the cost they spend on these services. 7 out of 10 choose to send letters and parcels regardless of how they perceive the price. This indicates that these are important services for the users, which they need and are prepared to pay for. The survey shows that Swedes think quality, reliability and sustainability are important. 58 percent state that there would be no consequences if the delivery time for letters were extended from two to three days. The results form a basis for the work on reviewing the regulation in the postal sector.[11]

2.1.2 PTS's evaluation of the special postal service outside urban areas

PTS has carried out an evaluation of the special postal service outside urban areas.[12] The service means that people who, due to age over 80 or a disability, cannot collect their mail from their regular mailbox can have it delivered in connection with their home. The evaluation found that users of the service are very satisfied with the service, but that awareness of the service within the target group is generally low. With Postnord's help, PTS has therefore carried out an information campaign targeting the elderly regarding the special postal service in 2022 and 2023. The number of users has increased by 34 percent in 2023, probably mainly as a result of the information campaign.[13] It is important that users who need a higher level of service than the general one are given access to the service.

2.2 Increased number of enquiries, comments and complaints about postal services

Users of postal services contact both PTS and postal operators with enquiries, comments and complaints about various aspects of the postal services. Postal operators are required by the Swedish Postal Services Act to have a procedure for dealing with users' complaints.

The following is an account of the enquiries, comments and complaints received by PTS, as well as Postnord and Citymail in 2023.

2.2.1 More enquiries to PTS

User comments submitted to PTS provide the Authority with important information about how the postal market is functioning and how well postal services are meeting users' needs and expectations.

In 2023, the number of cases relating to postal enquiries to PTS increased for the third year in a row. In 2023, PTS received 1 687 cases. This corresponds to an

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[11] Use of postal services by the population 2023 (PTS-ER-2024:1), ref. no. 23-10440.

[12] Special needs for postal services – A qualitative study of the need for postal services among persons with disabilities and the elderly (PTS-ER-2021:8), ref.no. 20–6229.

[13] The survey Evaluation of Postal Service for the elderly and disabled people living in rural areas (PTS-ER-2022:5) showed that few elderly were aware of the service, and that some elderly people would apply for the service if they received information about it. PTS therefore carried out a pilot with an information campaign in a few areas at a time and was able to monitor the increase per area. The number of users has increased in each area following the information campaign with mailings to the elderly, after having had a downward trend for a few years.

increase of 10 percent compared to 2022, when the number of cases amounted to 1 535. In 2023, 80 percent of all cases were categorised as complaints. In 2022, the same figure was 90 percent. The percentage of complaints has decreased, which is partly due to the fact that PTS received more enquiry cases in 2023 than in previous years, but also received a large number of cases where a postal operator was the intended recipient.

The majority of cases received by PTS are delivery-related complaints and concern items that have been delivered late, been damaged or lost. However, dividend-related complaints have dropped by 6 percent compared to 2022.

Of the cases received, about 73 percent could be linked to Postnord, 4 percent to Citymail, and 23 percent to unspecified postal operators.

Starting in the summer of 2022, PTS began receiving more complaints from the public about deficiencies in Postnord's delivery operations. PTS therefore decided in August 2022 to initiate supervision with the aim of investigating what had occurred in order to ensure that Postnord would rectify the delivery problems. The purpose of PTS's review was to check whether Postnord conducts reliable postal activities in accordance with the Swedish Postal Services Act and the operator's licence conditions. In order to operate a reliable postal service, Postnord must, according to its licence conditions, carry out risk analyses if the company's operations experience events causing major deviations from the reliability requirement.

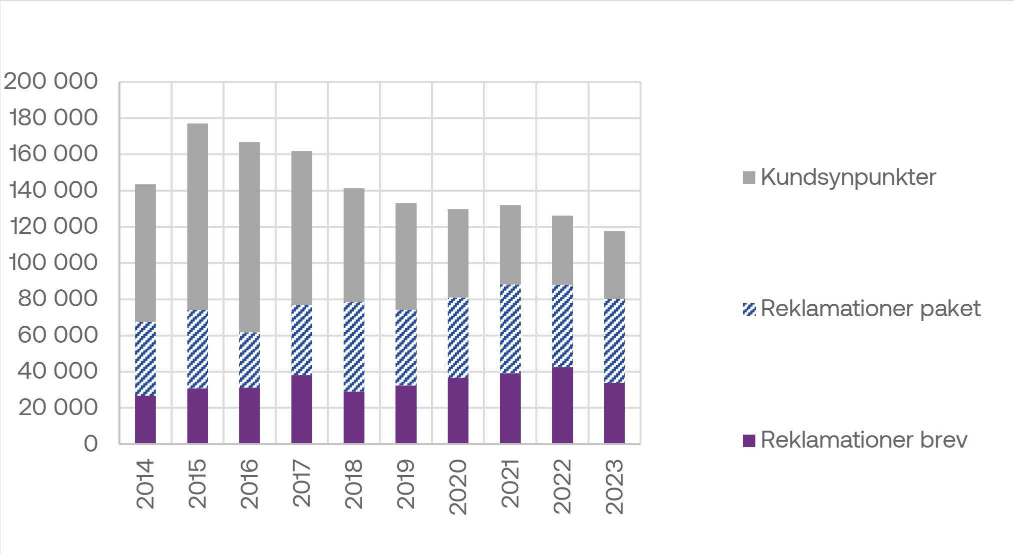
In its supervision, PTS noted that Postnord was unable to confirm whether the postal operator's delivery problems had been resolved. In addition, Postnord stated that the company only conducts risk analyses annually or in the event of major production changes. Against this background, PTS ordered Postnord to prepare a risk analysis with an action plan due to the delivery problems. Following another order, Postnord submitted a complete risk analysis in April 2023 that was in accordance with the operator's licence conditions. The supervision was terminated in December 2023 as PTS then assessed that Postnord had a clear plan for maintaining reliable operations.

The delivery problems evident in the complaints described above are also closely related to Postnord's compliance with the delivery time requirements (see section 2.3 below).

2.2.2 Complaints and comments to Postnord – decreasing number of complaints regarding letters in 2023

Postnord distinguishes between *complaints* and *comments* in its reporting of the number of cases submitted by postal users. *Complaints* refer to complaints about specific services that are part of Postnord's product range for which customers can request compensation if Postnord has not fulfilled its obligation in accordance with the terms and conditions for the service. Under the category *Comments*, Postnord collects all complaints and suggestions for improvement.

Figure 2: Number of customer comments and complaints Postnord 2014–2023



As shown in the figure above, Postnord registered a total of almost 117 589 complaints and customer comments in 2023.

A total of 80 249 complaints were made, of which 33 817 were related to letters and the remaining 46 432 were related to parcels. The most common reason for a complaint was an item missing. The number of complaints for which compensation was paid increased from 12 235 cases to 14 050 cases. The vast majority, 78 percent, consisted of complaints about parcel services.

In 2023, approximately 35 870 of a total of 37 340 customer comments were categorised as complaints. The majority of the complaints in the customer comments category concerned the delivery or collection of letters and parcels, such as wrongly delivered items, missing letters and parcels, delayed items or incorrectly returned letters.

In 2023, there was a break in the trend and the number of complaints per 100 000 letters decreased for the first time since 2018.

Figure 3: Complaints in relation to the number of shipments, reported separately for letters and parcels per 100 000 items at Postnord 2014–2023

2.2.3 More complaints and comments to Citymail

Citymail distinguishes between complaints and information cases. Complaints are mainly about missing or wrongly delivered mail, which also includes parcels. Information cases include cases such as information about access codes or change of mailbox location, etc.

Citymail's parcel volumes increased by 80 percent compared to 2022 and the total number of cases increased by 60 percent during the same period. Citymail reported 17 587 cases in 2023, which can be compared to the 10 938 cases reported in 2022.

Citymail states that they received the most complaints in Q3 and Q4, when factors such as Christmas shopping, Black Week, and winter weather affected the delivery.

2.3 Postnord does not meet the 2023 delivery time requirement

An important part of quality monitoring in the postal market is the measurement of the percentage of single domestic letters that are delivered on time in accordance with the provisions set out in Section 6 of the Swedish Postal Services Ordinance. The regulations stipulate that a minimum of 95 percent of the domestic letters that have been handed in for delivery within two days after posting, and which were posted on time, must be delivered within two subsequent business days, irrespective of where in the country the letters were posted.

2022 was the first time Postnord did not meet the delivery time requirement for the full year. In 2023, the full-year result deteriorated further, as Postnord delivered an average of 93.1 percent of two-day letters on time at national level (compared to 94.7 percent in 2022). In 2021, the figure was 97.9 percent. This means that Postnord was not able to live up to the delivery requirements at national level in either 2022 or 2023.

As mentioned in section 2.2.1, PTS initiated supervision of Postnord's reliability in its letter business in August 2022. In 2023, the Authority also held talks with Postnord's management about the importance of reversing the negative trend regarding the results of the delivery measurements. On a monthly basis, the measurement results improved continuously from July 2023 onwards, and in September, for the first time in more than a year, a monthly result above the required level was achieved, when 95.6 percent of letters were delivered on time. The month with the lowest recorded proportion of letters delivered on time during the year was, as in most previous years, December, when the result was only 89.6 percent. December is usually the month that provides the lowest result due to the significantly increased volumes in connection with Christmas. Postnord has stated that the problems in 2023 were exacerbated by weather challenges and delays in train traffic, which affects nationwide distribution.

At regional level, the measurement shows that Postnord does not meet the requirements of the Swedish Postal Services Ordinance in any of the nine sorting centre areas.[14] The highest outcome per sorting centre area for the year was 94.6 percent (Alvesta sorting centre area), while the lowest outcome was in the Umeå sorting centre area (92.3 percent).

Postnord has been given the opportunity to submit a statement on the reasons why the operator does not meet the delivery time requirement. Postnord argues that the requirement in question is a very high one, for example in comparison with what applies in the neighbouring countries of Norway and Finland. Postnord claims that 'despite unfavourable conditions', they have 'provided a postal service of high quality and reliability, with 93.13 percent of letters delivered within two working days and as much as 99.53 percent within four working days'. Furthermore, Postnord holds that

[14] Area covered by a sorting centre refers to the region that each sorting facility serves. The outcome for each sorting centre area refers to the quality of consignments sent from all over the country to each respective area covered by a sorting centre. A delay may therefore have occurred at any of the points from posting to delivery. The overall outcome does not provide an answer as to where in the distribution chain a possible disruption has occurred.

disturbances beyond the company's control, such as extreme weather and the closure of the Southern Main Line and that the rerouting of train traffic did not work as communicated by the Swedish Transport Administration, have affected Postnord's ability to maintain quality.

PTS is concerned about the fact that Postnord has not met the delivery time requirement for either 2022 or 2023. The Authority has received a report on the measures that Postnord intends to take to meet the requirement in 2024. PTS will continue to monitor developments in 2024 to verify that Postnord's long-term efforts to ensure quality leads to the delivery time requirement being met once again.

2.4 Service network for letter and parcel services

The Swedish Postal Services Act requires that the dispatch and drop-off points of the universal postal service be located in such close proximity that the needs of users are taken into account. For users, both accessibility and quality of service are important.

Both Postnord's mailboxes and service points fulfil an important function for users in terms of collecting different types of postal items. Service points play a central role in the delivery of parcels, as well as some letter items that require a receipt.

There have been no major changes in the number of mailboxes during the year. The number of mailboxes[15] in January 2024 was 20 518, which is 142 (0.7 percent) fewer than at the same time last year (20 640). The collection times have also not changed to any major extent during the year.

If we look at the total number of service points[16], primarily for parcel services[17], there have not been any major changes since the previous year. The trend continues to be that the number of parcel lockers is increasing, while other types of service points are relatively stable.

[15] Number of mailboxes here refers to the number of locations where mailboxes are placed. In other words, there may be more than one mailbox placed at each location.

[16] Service point refers to a geographical location (point) where a distributor offers some form of service (such as drop-off, delivery and/or sale of parcels (services).

[17] For Postnord's part, the company's postal service point (Postombud) also serves as a drop-off and delivery point for certain types of letter services.

Table 5: Number of service points per distributor and geographical coverage in Jan 2024

Distributor	Number of service points 2024 (2023)[18]	Geographical coverage 2024 (2023)	
		Number of counties	Number of municipalities
Bring, total	**1 974 (1 670)**	**21 (21)**	**290 (290)**
Parcel locker	286 (0)		
Parcel service point	1 688 (1 670)		
Bussgods, total	**255 (263)**	**21 (21)**	**112 (117)**
Parcel service point	255 (263)		
DHL Freight, total	**1 893 (1 859)**	**21 (21)**	**290 (290)**
Parcel service point	1 868 (1 857)		
Parcel locker	25 (2)		
DHL Express, total[19]	**1 398 (1 376)**	**21 (21)**	**267 (256)**
Parcel service point	1 398 (1 376)		
Iboxen, total[20]	**984 (988)**	**15 (15)**	**79 (67)**
Parcel locker	984 (988)		
Instabee, total[21]	**2 915 (2 581[22])**	**21 (21)**	**287 (285)**
Parcel locker	2 581 (2 581)		
Postnord, total	**4 601 (4 012)**	**21 (21)**	**290 (290)**
Parcel locker	2 445 (1 818)		
Business centre[23]	192 (195)		
Postal service point[24]	1 594 (1 609)		
Delivery point[25]	370 (390)		
Schenker, total	**1 630 (1 687)**	**21 (21)**	**290 (290)**

[18] Refers to data from January of each year.

[19] DHL Express mainly delivers to the same network as DHL Freight, but to slightly fewer locations, as well as to five locations that are unique to DHL Express.

[20] iBoxen does not provide delivery services itself but offers a network of competition-neutral delivery/service points to which any stakeholder can deliver parcels.

[21] Corresponds to the combined service network of the former Instabox and Budbee. The number of service points will be significantly fewer than when each company was reported separately due to the fact that in cases where the companies had their facilities in the same location, a location is now counted as one service point. Corrections to previous data have also been made.

[22] Adjusted value, Instabox only.

[23] Business centres are primarily targeted at companies, but some households are also notified to come and collect or send larger and heavier parcels from here. Companies and private individuals can send parcels using both prepaid returns and through over the counter purchases from business centres. Drop-off for the Varubrev service is handled here, although smaller quantities (10 pieces) can be dropped off at regular service points from 1 January 2023.

[24] Postal service point refers to a full-service agent for private individuals and smaller companies. Full service is the possibility to collect and send parcels including cash purchases, and there is ‘valuable document handling’ (*Sw. värdehantering*) such as posting and collecting registered (letter) items.

[25] Delivery of parcels and notified letters without payment. For individuals and smaller companies. It is also possible to send prepaid returns from these agents.

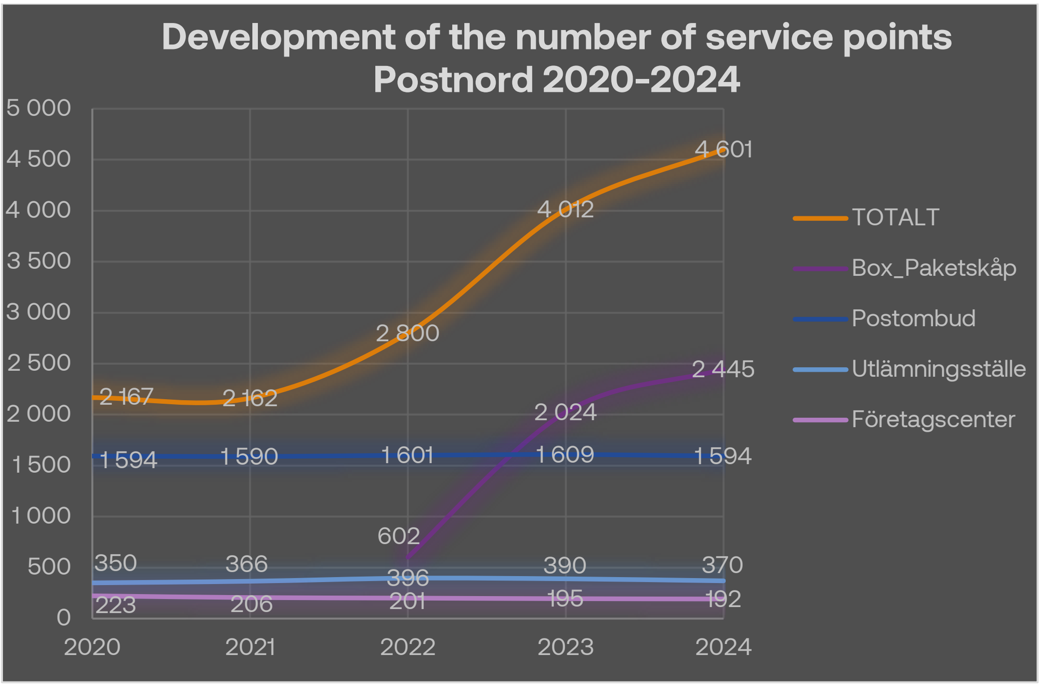
Parcel service point	1 630 (1 687)		
UPS, total	**616 (580)**	**20 (20)**	**191 (187)**
Parcel service point	616 (580)		

The range of different types of service points have good geographical coverage. In many cases, competitors complement Postnord's service network within the universal postal service. It should be noted, however, that at about 970 000 of the country's addresses it is also possible to use Postnord's 'Schedule rural postal delivery' service. It is a form of supplementary postal service where recipients have the option of having parcels delivered by the rural mail carrier.

Postnord's range of postal service points (Postombud) and collection points (Utlämningsställen) has remained relatively stable over the past five years at around 1 600 and 370 service points, respectively. The number of Business Centres (Företagscenter) is continuously decreasing over time, from 223 in 2020 to 192 in early 2024. Instead, Postnord is expanding its range of business-related services at the regular postal service points. On the other hand, the parcel locker network is expanding rapidly, with the operator having gone from having just over 600 at the beginning of 2022 to having close to 2500 deployed facilities at the beginning of 2024.

With the extensive and rapid establishment of parcel lockers, Postnord has more than doubled the number of service points for parcel delivery over the past five years.

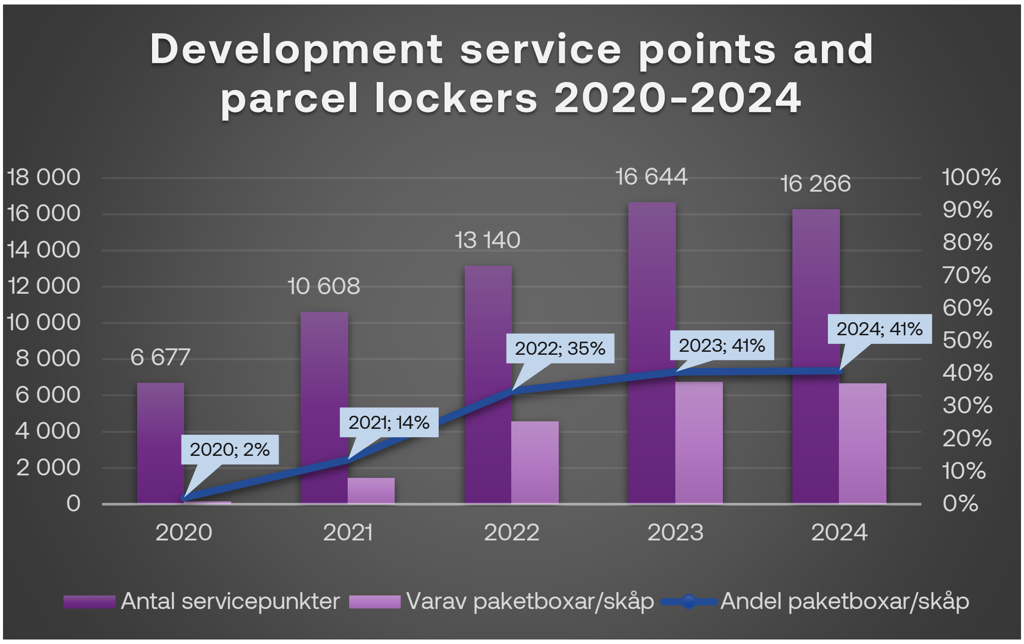
Figure 4: Development of the number of service points Postnord 2020-2024



Postnord Service Points	2020	2021	2022	2023	2024
Parcel locker			602	2 024	2 445
Business centre	223	206	201	195	192
Postal service point	1 594	1 590	1 601	1 609	1 594
Delivery point	350	366	396	390	370
TOTAL	**2 167**	**2 162**	**2 800**	**4 012**	**4 601**

If we look at the development of the market as a whole, the number of service points has increased sharply and is almost 2.5 times higher in 2024 than in 2020. At the same time, the number of parcel lockers has multiplied and gone from accounting for about 2 percent of the service points in 2020 to accounting for about 41 percent of the number of service points in 2024.

Figure 5: Development service points and parcel lockers 2020-2024



Year	2020	2021	2022	2023	2024
Number of service points[26]	6 677	10 608	13 140	16 644	16 266
of which parcel lockers	134	1 446	4 555	6 749	6 655
Share parcel lockers	2 %	14 %	35 %	41 %	41 %

[26] The reason why the total number of service points decreases slightly between 2023 and 2024, and that the number of parcel lockers appears to decrease slightly, is that we count each distributor's service point as one point regardless of other offerings in each geographical location. As Instabox and Budbee were in many cases co-located, a number of service points will disappear from the statistics as a result of the merger between the companies.

2.5 Households without five-day delivery

A fundamental requirement of the universal postal service is that it should be possible to deliver mail to all recipients in Sweden every weekday, regardless of where in the country they live. However, according to the operator's licence conditions, Postnord has the possibility to make exceptions to that requirement under certain conditions, such as special circumstances or geographical conditions. Postnord can make exceptions when it comes to areas that are particularly sparsely populated, do not have a road that is navigable all year round, or islands without a fixed land link and that do not have regular ferry traffic during one or more of the week's regular working days. The exemptions must be approved by PTS.

Ever since the 1990s, the policy objective is that the number of households without five-day delivery must not increase. In the 1990s, 1 600 households lacked access to five-day delivery. The figure has been steadily declining until 2022. In 2023, the exceptions from five-day delivery increased by 168 compared to the previous year, from 1 164 to 1 332 at the end of the year.

However, Postnord has reported that they have made a change in the reporting of the number of households that are considered exceptions. Meaning, this is not a real increase, but due to the fact that this year's figures are presented in a different way. Postnord now also counts those households on islands in the Stockholm archipelago that have had exemptions *at some point during the year*, due to varying ferry traffic during different parts of the year, as exemptions. Previously, these households were not included in the exceptions.[27]

2.6 Inclusive postal services

PTS is tasked with providing inclusive postal services for people with disabilities. These services have a direct impact on the objective that everyone, regardless of functional ability and age, shall have access to reliable postal services.

In 2023, PTS extended the contract for the inclusive postal service Postage-free delivery of Braille items by Postnord. The target group of the service is people who are blind, visually impaired, as well as people with other reading disabilities that make them unable to read printed material. The service allows the target group to send Braille items (such as audio books, accessible newspapers and Braille materials) free of charge. Libraries and organisations approved by the PTS are also entitled to send Braille items up to 7 kg free of charge to their target-group patrons. The number of Braille items decrease as equivalent digital services are developed.

[27] Reference number 23-10441.

PTS has also extended the contract for a special postal service for people outside urban areas who, due to age (over 80 years) or a permanent disability, cannot collect their mail at a regular delivery point, e.g., a box collection point. The service delivers mail to the boundary of the property or, in exceptional cases, to the dwelling house, if everyone in the household meets the criteria. The cost of special postal services for the elderly outside urban areas has decreased due to the introduction of delivery of postal items every other day. As mentioned in 2.1.2., the number of users of the service increased by 34 percent in 2023, probably mainly as a result of the information campaign commissioned by PTS during the year.

2.7 Undeliverable letters

PTS is tasked with handling undeliverable letters, i.e. letters that for some reason cannot be delivered to either the recipient or the sender. In addition to handling incoming letters, PTS supervises that the operators have handled these undeliverable letters reliably and in a manner that maintains the privacy of users.

The number of undeliverable letters to PTS decreased by 4% in 2023 compared to 2022 and follows the national trend of decreasing letter volumes overall. The main reason why letters become undeliverable is that addresses are incorrect and that the letters lack information about who the sender is.

In November 2023, PTS launched the information campaign *En andra chans* [A Second Chance] as part of the Authority's promotional work. The intention is to increase knowledge about the importance of writing the sender's address on the back of the letter. The target groups are private individuals who send letters domestically and internationally, with a focus on young people aged 18-30 and foreign-born people with relatives abroad. If a letter cannot be delivered, it is sent back to the sender and is given a 'second chance'. PTS hopes that the effect of the campaign will be that an increased proportion of letters can be delivered by postal operators, instead of becoming undeliverable.

In 2023, PTS found and was able to return fewer letters to the sender compared to 2022. The average cost per undeliverable letter has also increased compared to the previous year. Although the total volume of undeliverable letters is decreasing, the volume of parcel-like undeliverable letters is increasing. Handling these parcel-like items requires more resources compared to the handling of regular letters. This means increased resource use, higher shipping cost and higher costs for PTS's storage and handling.