

INFORMATION TO BE PROVIDED IN REQUESTS CONCERNING THE APPLICABILITY OF ARTICLE 34 OF DIRECTIVE 2014/25/EU

1. Section 1 — Identity and status of applicant

Article 35 of Directive 2014/25/EU provides that requests concerning the applicability of Article 34 are to be made by the Member States or, when the legislation of the Member State concerned provides for it, by the contracting entities. Depending on the case, the term 'applicant' may refer therefore to either the Member State or the contracting entities. It is used merely in the interest of simplification.

1.1. Full name and address of the applicant:

- (1) Name: Ministry of Finance
- (2) Address: Suur-Ameerika 1, Tallinn, [-], Estonia

In the event that the activity covered by this request is carried out by undertakings affiliated⁽¹⁾ to the applicant, the term 'applicant' will be deemed to refer to both the entity indicated in point 1.1 and the affiliated undertakings in question. Thus, in particular for sections 5 and 6 below, it will be necessary to supply the requisite information for the 'applicant' as thus defined.

1.2. Status of the applicant: contracting authority⁽²⁾, public undertaking⁽³⁾ or private undertaking?

- (3) The applicant is a contracting authority. For clarity, the applicant for the purposes of the current request is represented by the Ministry of Finance.
- (4) Eesti Post (hereinafter "Eesti Post"), which is fully owned by the Ministry of Regional Affairs and Agriculture, in turn is the parent entity of the following legal entities:
 - (a) [-], an undertaking registered in Estonia with the registry code [-]. [-] is active in the provision of payment solutions. More information on [-] can be found on its website here.
 - (b) OÜ [-] – an undertaking registered in Estonia with the registry code [-]. OÜ [-] did not generate any revenue during 2022.
 - (c) [-], an undertaking registered in Estonia with the registry code [-]. [-] OÜ is a subsidiary of Eesti Post AS, specializing in the development of software and hardware for parcel machines and related services.
 - (d) [-], an undertaking registered in Lithuania, with the registry code [-]. [-] provided postal services in Lithuania and provides inputs for the international activities of Eesti Post.
 - (e) [-], an undertaking registered in Lithuania with the registry code [-]. [-] was established with the aim of providing sorting services in the Kaunas Free Economic Zone. Its main activity has been the establishment of the Kaunas parcel sorting terminal.
 - (f) [-], an undertaking active registered in Latvia, with the registry code [-]. [-] is active in the provision of postal services in Latvia.
- (5) Eesti Post is the sole undertaking carrying out activities referred to in Directive 2014/25/EU. However, under national law, it does not have the authority to submit a request under Article 35 on its own. Therefore, the request is submitted by the State, as represented by the Ministry of Finance.

1.3. For a contracting authority: are you making the request for and on behalf of your Member State?

- (6) As described under recitals (3)-**Error! Reference source not found.** above, the request is submitted for and on behalf of Estonia. Information requested under sections 2 – 6 will be outlined in respect to Eesti Post as the sole entity carrying out the activities covered by this request.

Accordingly, references to "the applicant" in the text below should be understood as referring to Eesti Post.

If so, please supply the information requested for each point in sections 2 to 6 inclusive. With regard to each point in sections 5 and 6 in particular, please provide the requisite information for each of the entities carrying out the activity covered by this request. However, where there are a large number of such entities, the information may be restricted to those entities holding [-] or more of the geographical market in question (4). Where the information is similar or identical for several entities, they may be grouped together, on condition that this is specified.

1.4. For contracting entities (the contracting authorities, the public undertakings and the private undertakings carrying out one of the activities referred to in Directive 2014/25/EU⁽⁵⁾): Please state the provision of national law stating that contracting entities may submit a request under Article 35.

(7) Estonian national law does not enable Eesti Post to submit a request under Article 35 on its own.

2. Section 2 — Description of the activity covered by this request

2.1. Describe the activity to which the conditions of Article 34(1)⁽⁶⁾ apply in your view. The activity concerned may form a part of a larger sector⁽⁷⁾ or be exercised only in certain parts of the Member State concerned.

(8) The request is submitted in relation to postal services as outlined under Article 13 of Directive 2014/25/EU. The applicant maintains that as per its best assessment and the past practice of the European Commission in similar cases, the activities outlined below are directly exposed to competition for the whole territory of Estonia.

(9) In particular, the following activities are covered by this request:

- (a) International parcel services (inbound, outbound);
- (b) Domestic parcel delivery services (express, standard);
- (c) Printing services and packaging services;
- (d) Third- and fourth-party logistics services (international business).

(10) In relation to third- and fourth-party logistics services, the applicant notes that the majority of the business of that segment as carried out by Eesti Post is covered by the exclusion stipulated under Article 7 (d) of Directive 2014/24/EU. However, since Eesti Post is providing the services in combination with some postal functions, the applicant has included such services within this request.

(11) The applicant further notes that while postal functions can arguably be at time considered marginal, the share of postal to non-postal functions changes over time, given the unpredictable nature of postal logistics in recent years due to both the COVID-19 pandemic and the war in Ukraine. Consequently, the applicant prefers to include logistics services in the request as the activity is clearly directly exposed to competition – Eesti Post is a marginal player in this segment as postal services make up a marginal share of the logistic services provided by Eesti Post (about less than [-]).

2.2. Where this differs from the national territory as a whole, indicate the area in which the activity covered by this request is carried out. Mention only the area in which you consider that the conditions of Article 34(1) are met.

(12) The applicant notes that other than for third- and fourth-party logistics services, all other services are provided at least in the territory of Estonia as a whole. In respect to third and fourth-party logistics services, such services are not provided within Estonia at all and are provided within the territory of the EU.

3. Section 3 — The relevant market

A relevant product market comprises all those products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of their characteristics, their prices and their intended use⁽⁸⁾.

The following factors are normally considered to be relevant to the determination of the relevant product market and should be taken into account in the analysis⁽⁹⁾:

- [-] the own- and cross-price elasticities of demand of the relevant products and/or services,
- [-] any differences in the end use to which the products are put,
- [-] differences in price between two products,
- [-] the cost of switching from one product to another, in the case of two potentially competing products,
- [-] established or entrenched consumer preferences for one type or category of product,
- [-] product classifications (classifications maintained by trade associations, etc.).

The relevant geographical market comprises the area in which the entities concerned are involved in the supply and demand of products or services, in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighbouring areas because, in particular, conditions of competition are appreciably different in those areas⁽¹⁰⁾.

Factors relevant to the assessment of the relevant geographical market include⁽¹¹⁾:

- [-] the nature and characteristics of the products or services concerned,
- [-] the existence of barriers to entry,
- [-] consumer preferences,
- [-] appreciable differences in market shares or substantial price differences between neighbouring areas,
- [-] transport costs.

3.1. In the light of the above, please explain the definition of the relevant product market or markets that, in your opinion, should form the basis of the Commission's analysis.

In your reply, please give reasons for assumptions or conclusions, supported by appropriate empirical evidence⁽¹²⁾, and explain how the factors outlined above have been taken into account. In particular, please state the specific products or services directly or indirectly affected by this request and identify the categories of products considered as substitutable in your market definition. In the questions below, this (or these) definition(s) is (are) referred to as 'the relevant product market(s)'.

Introduction to the Estonian postal sector

(13) As described under recitals (9) above, this request contains the following postal services in Estonia:

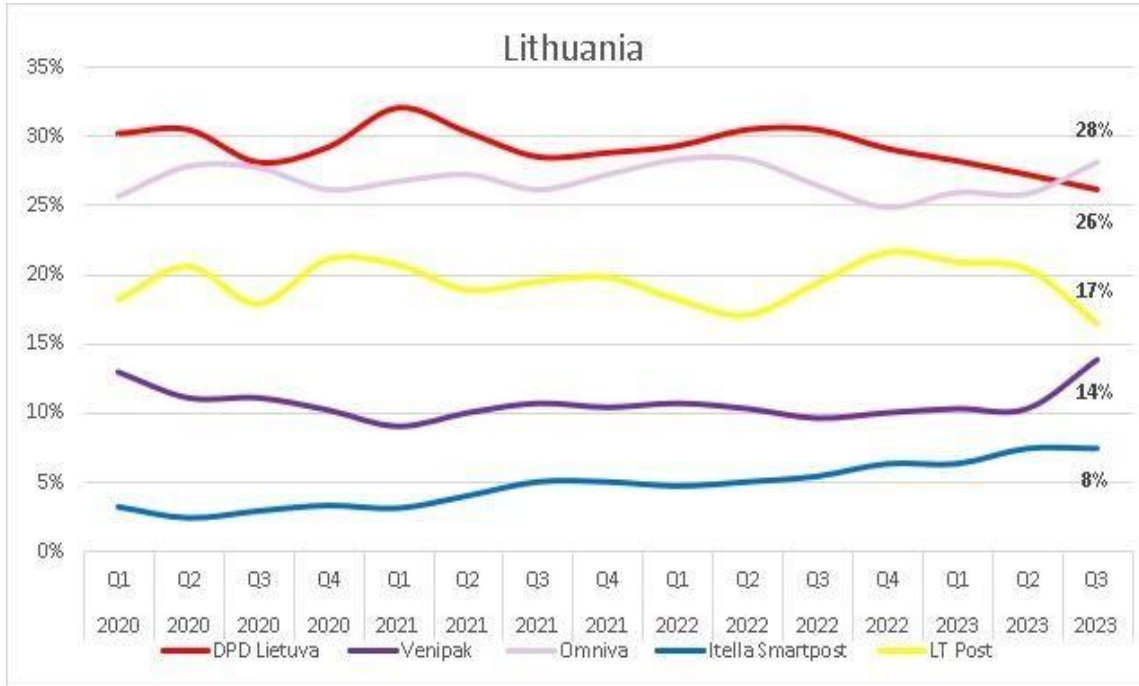
- (a) International parcel services (inbound, outbound);
- (b) Domestic parcel delivery services (express, standard);
- (c) Printing services and packaging services;
- (d) Third- and fourth-party logistics services (international business).

(14) In response to question 2 of the European Commission's RFI dated October 24, 2024, the applicant explains that as of the end of 2023, the Estonian Competition Authority's annual report on the postal sector indicates that there were 59 registered postal service providers in the Register of Economic Activity. It is important to note that many of these providers offer multiple types of postal services, and not all are active or operational. While Eesti Post does not have a precise breakdown of active competitors in each service segment covered by the exemption request, the table below from the Competition Authority's report provides a summary of postal service providers by service type based on data from the Register of Economic Activity:

| Postal Service ¹ | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------------|------|------|------|------|------|
| Universal postal service | 1 | 1 | 1 | 1 | 1 |
| [-] | 2 | 2 | 2 | 2 | 2 |
| [-] | 1 | 1 | 1 | 1 | 2 |
| Courier service | 49 | 49 | 49 | 48 | 48 |
| Direct mail service | 7 | 7 | 6 | 6 | 6 |
| Dispatch of periodicals | 7 | 7 | 6 | 6 | 6 |
| Other postal services | 14 | 14 | 14 | 14 | 14 |

- (15) Based on available public information, Eesti Post estimates that the 48 active courier service providers (as of 2023) most closely align with the business segments covered by the exemption request, i.e. these providers offer a range of services, including both national and international parcel delivery, as well as express and standard options. The active courier service providers listed in the Competition Authority's report include: [-], AS Eesti Post, [-], [-], AS [-], [-], [-], [-] Estonia OÜ, [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], and [-].
- (16) Regarding the specific segments covered by this exemption request, Eesti Post notes that all Eesti Post's major competitors are active in the relevant postal segments to a significant extent. While a few competitors, such as [-], are only active in domestic courier services (i.e. domestic express parcel delivery), the low market barriers in this segment allow other competitors to enter and expand their operations in this area if desired.
- (17) In the light of above, the applicant explains that the Estonian postal sector, in particular in respect to services outlined in this request, is characterised by relatively strong competition, with a number of strong market players present. Outside of the services covered under this request, the competition on the market is somewhat limited, as an example due to the presence of a single market player providing Universal Postal Services (hereinafter "[-]").
- (18) [-] The applicant notes that traditional postal service volumes have been declining in line with broader digitalisation trends observed across the EU.
- (19) [-] This development is partly attributable to the substitution of traditional letter services with electronic communication, as well as the emergence of alternative delivery solutions.
- (20) [-] At the same time, parcel delivery services have experienced growth, driven primarily by the expansion of e-commerce and cross-border trade.
- (21) [-] Market shares of operators have shown variability over time, reflecting changing demand patterns and competitive conditions:

¹ Report of the Competition Authority on developments and emerging issues in the postal services sector, as well as the activities of the Competition Authority in this field in 2023. Link: <https://www.konkurentsiamet.ee/media/916/download>. Please refer to the table on page 3 of Competition Authority's report.



(22) [-] These variations may be influenced by seasonal factors and shifts in the origin and destination of parcel flows:

| Month (2023) | Latvia | Lithuania |
|--------------|--------|-----------|
| January | [-] | [-] |
| February | [-] | [-] |
| March | [-] | [-] |
| April | [-] | [-] |
| Mai | [-] | [-] |
| June | [-] | [-] |
| July | [-] | [-] |
| August | [-] | [-] |
| September | [-] | [-] |
| October | [-] | [-] |
| November | [-] | [-] |
| December | [-] | [-] |

- (23) [-] Overall, the Estonian postal sector has undergone structural changes, with increasing reliance on digital and automated solutions for delivery services.
- (24) For clarity, the applicant has limited this request to services part of product markets where Eesti Post is subject to strong competition.

Overview of Licensing and Registration Requirements for Postal Services in Estonia

- (25) In response to question 1 of the European Commission's RFI dated October 24, 2024, the applicant notes that for the services covered by the exemption request, a license is not required. However, companies are obligated to notify the Estonian Competition Authority (Konkurentsiamet) upon the start of their business activities. This notification is a simple process, without complicated procedures, and does not create any barriers to entry for potential competitors. In Estonia, the provision of postal services is primarily governed by the Postal Act (postiseadus), which sets forth the requirements for both licensing and registration, depending on the type of service being provided.
- (26) As regards Eesti Post and its competitors, the business segments governed by the exemption request, i.e. markets for services related to the delivery of parcels, does not overlap with the traditional postal services that require a licence. While Eesti Post holds licences for certain services; in the segments of express mail, direct mail, and parcel delivery (as part of letters delivery), they (and other competitors) operate under the business activity declaration regime, meaning they are registered rather than licensed.
- (27) More specifically, a business licence is required for providing certain types of traditional postal services, particularly for the delivery of letters (outlined under article 10 of the Postal Act). For services that do not fall under the category of traditional letter delivery (such as parcels, express mail, direct mail, etc.), there are no specific licensing requirements, but there are registration requirements (outlined under article 21 of the Postal Act) instead. More specifically, operators offering certain postal services are required to submit a business activity declaration to the Estonian Competition Authority, which registers the service provider. These services include:
- (a) Express mail services;
 - (b) Direct mail services;
 - (c) Delivery of periodical publications;
 - (d) Other postal services that do not involve the delivery of standard letters.

1.1.1. Overview of services concerned by this request

- (28) This request contains the following postal services in Estonia:
- (a) International parcel services (inbound, outbound);
 - (b) Domestic parcel delivery services (express, standard);
 - (c) Printing services and packaging services;
 - (d) Third- and fourth-party logistics services (international business).
- (29) The applicant explains that Eesti Post is the only entity active in the postal sector in Estonia, subject to public procurement rules.

1.1.2. International parcel services (inbound, outbound)

- (30) In its past practice, the Commission has on several occasions assessed the market for parcel services, explaining that parcel services can be segmented into standard and express parcel

services. The Commission explained that express services are faster and more reliable than standard services and standard and express services requires different infrastructure in order to enable additional value services, such as more advanced tracking. In practice, this leads to a difference in price between standard and express services, with express services being more expensive.²

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- (31) In addition to a potential segmentation between standard and express parcel services, the Commission has previously assessed the standard parcel services market, considering potential market segments based on (i) domestic and international parcel services,³ and (ii) consumer and business parcel services⁴.
- (32) In relation to the segmentation between domestic and international parcel services, the Commission has previously explained that domestic parcel delivery services are provided by companies operating a distribution network at national level, with international outbound mail deliveries involving the collection, international transportation and delivery of parcels through an entirely different network. This means that international outbound delivery normally engages two services providers: one in the collection country and another in the destination country. In the collection country, a company collects the parcels for transport to several destination countries, followed by the same or another company then distributing the parcels to its final destination in the destination country.⁴
- (33) In relation to a segmentation between consumer and business parcels, the Commission has explained that consumer and business parcels should be considered apart, since they satisfy different needs of demand, and the technological process of this service usually differs significantly.⁵ In particular, the Commission has explained that services provided to consumers are generally provided under the public service obligation, requiring a network of post offices available to consumers. Within the business parcel services segment, the Commission has further considered a potential segmentation between B2B (*Business to business*) and B2C (*business to consumer*) deliveries, explaining that from the supply side perspective, B2C deliveries requires a denser network to reach private consignees, as opposed to business consignees, who are often located in dense clusters.⁷
- (34) The applicant notes that in line with the previous practice of the Commission, the product market for standard parcel services should also be segmented between domestic and international parcels for Estonia. The applicant explains that while in Estonia, both domestic and international standard parcel services use the same national infrastructure (predominantly parcel machine networks), international standard parcel services also require agreements to provide cross-border services, which are not required in order to provide parcel services on a national level.
- (35) In particular, the collection and acceptance of domestic and international parcels takes places with the same infrastructure – i.e. parcel machines or courier. For clarification and in response to

² See, e.g. Commission Decision of 27 May 2020, on the applicability of Article 34 of Directive 2014/25/EU of the European Parliament and of the Council to contracts awarded for activities related to the provision of certain postal services in Denmark (notified Under document C(2020) 3335), para 15.

³ Ibid, para 16. ⁴

Ibid, para 17.

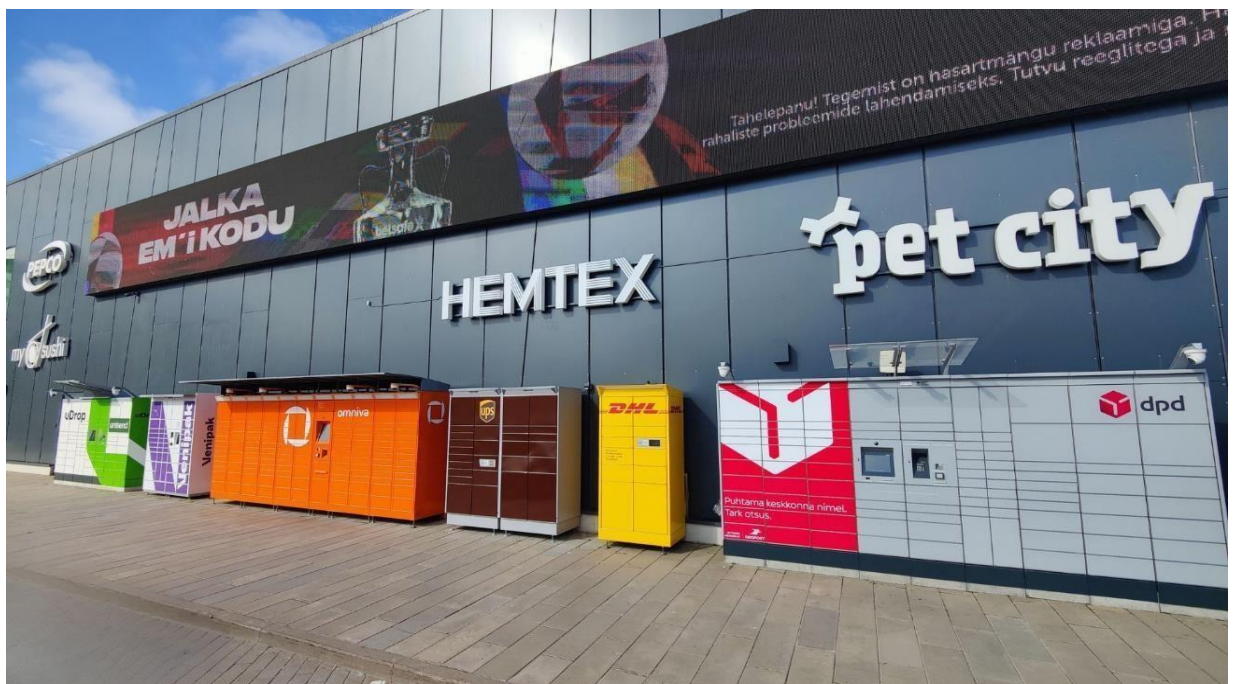
⁴ See e.g. case COMP/M.5152 – Posten AB / Post Danmark A/S, para 55.

⁵ Ibid, para 59. See also Commission decision of 3 March 2010, exempting certain services in the postal sector in Austria from the application of Directive 2004/17/EC of the European Parliament and of the Council (notified under document C(2010) 1120), para 8. ⁷ Ibid, para 18.

question 4 of the European Commission's RFI dated October 24, 2024, "parcel machine networks" refer to the integrated systems of automated parcel collection and delivery points located throughout Estonia. These networks facilitate the convenient pickup and drop-off of parcels for consumers and businesses, using self-service kiosks or lockers that are accessible to users. The significance of these networks lies in their role as an infrastructure that supports both domestic and international standard parcel services. Illustrative examples of the automated parcel collection and delivery points are the following:



Source: Daily newspaper Postimees. New Option for Parcel Pickup.
[\[1\]](#)



For domestic shipments, the market participants are able to continue using the same infrastructure, without the need to access the parcel infrastructure of third parties. For international shipments however, due to the lack of larger international parcel networks, the market participants must enter into agreements with third parties to gain access to those networks. Traditionally, most market participants operating in Estonia have the option to choose with relative ease on what third party network to use. This is because in order to compete with larger i.e. global market players, it is vital to be able to seamlessly opt for the best network for a particular parcel. One caveat being parcels that are limited to the Baltics. Most market participants are active across all three Baltic member states and are thus able to use their own networks for parcels limited to the Baltics. That said in practice a small amount of parcels originating from one Baltic State to another still use third party services, if the market participant's network is not able to provide services at a desired quality level; i.e., Eesti Post has historically also used the networks of its competitors for last mile deliveries in e.g. Latvia and Lithuania

- (36) In respect to a potential segmentation between consumer and business parcels, the applicant explains that this segmentation is of limited relevance for Estonia. In particular, standard parcel services in Estonia are provided predominantly through parcel machine networks, which is not part of the universal postal service obligation. As a result, the network used to provide services to businesses and consumers overlaps. Furthermore, Estonia is a small and very sparsely populated country, meaning that contact points for both consumers and business are located in population centres, since there is little incentive to expand a parcel machine network into sparsely populated areas, where only a few potential consumers reside.
- (37) For clarity, while some consumer parcels still use the network used for the universal postal service obligation (in particular maxi letters with an item content of up to 2kg), this share of services is continuously declining (see table 4 under Section 5A), since even with subsidies supporting the upkeep of the post offices network, the service is less convenient for the consumer as compared to parcel machines (parcel machines are more widely available with better opening hours (if not accessible at all times)). As a result, while currently consumers for parcel services fluctuate towards using parcel machines, the maxi letters with an item content of up to 2kg remain an alternative in Estonia to international standard parcel services, despite such services being only provided by Eesti Post in Estonia. Maxi letters with an item content of up to 2kg being part of the international parcel services market is also illustrated by the fact that currently approximately [-] of the volumes in maxi letters with an item content of up to 2kg is related to e-commerce. As such the applicant believes that maxi letters with an item content of up to 2kg should be considered part of the international parcel services market.
- (38) In conclusion, the applicant notes that the relevant product market for the purposes of this application should be considered the provision of international standard parcel services in Estonia, which includes the provision of both international standard parcel services using the parcel machine networks as well as the provision of maxi letter services (with an item content of up to 2kg).
- (39) For clarity, the applicant explains that while in Estonia, only Eesti Post provides international maxi letter services, there is significant pricing pressure arising from international parcel services. This is because the provision of international maxi letters engages two service providers, as is the case with standard international parcel services. In the past (and as has been pointed out in the previous practice of the Commission⁶) some isolation from competition was available due to maxi letters moving only through the Universal Postal Union network, which was accessible only to postal operators providing the universal postal service obligation. The applicant explains that this is no longer the case in Estonia.
- (40) Firstly, Estonian legislation does not require international maxi letters to move using only the [-] network. This means that the parcels (in the form of a maxi letter) may enter through the post

⁶ See recital (32) above.

office network in Country A, however after that, the parcel can move into the international parcel network as do other similar parcels. This works both ways – i.e. parcels which have initially entered in their country of origin through the post office network, may be delivered in a parcel machine in Estonia – provided the legislation in the country of origin allows for this (and to the extent that the applicant is aware, most do).⁷

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- (41) Secondly, internationally, there are also similar competing options for postal operators outside of the [-] network. In particular, the applicant explains that historically, letters with an item content up to 2kg were moved via the networks used for international letters, in particular the network provided by [-]. This was largely due to previous very low pricing of such parcel services, meaning that private entities had no interest in services which directly competed with maxi letters with an item content of up to 2kg. Due to the pricing reform (leading to increased pricing of the services) initiated in the United States in 2019, the resulting increased prices attracted private entities to develop similar business models to service mainly e-commerce customers, thereby replicating the network provided by the [-] (e.g. Prime Tracked10, Interconnect Economy), allowing entry of new market participants and significantly increasing competition on the market.⁸
- (42) For conclusion and in response to question 11 (a) of the European Commission's RFI dated October 24, 2024, maxi letters, as offered by Eesti Post, are considered to compete with ordinary postal parcels in the same product market. Both maxi letters from Eesti Post and small parcels from competing postal service providers are similar in terms of size and functionality. The prices of maxi letters are regulated by the Competition Authority. In practice, the price regulation for maxi letters is cost-based, and since prices for comparable postal products are also primarily cost-driven (margins are low), the price levels for maxi letters and similar postal items are generally comparable. However, it is worth noting that over the years, the volume of maxi letter shipments has been gradually decreasing, with a corresponding increase in the popularity of small parcels. This trend suggests that maxi letters may not be as competitive as small parcels in the current market. Eesti Post attributes this shift to the inflexibility of regulation and the slow adjustment of pricing to market changes.
- (43) As a result, the applicant notes that the provision of international maxi letters with an item content of up to 2kg competes directly on the market with other international standard parcel services and should belong on the same product market as those services.

⁷ See here: <https://www.upu.int/en/home>

⁸ See here: <https://www.ipc.be/services/e-commerce-solutions/interconnect>

1.1.3. Domestic standard and express parcel services

- (44) The Commission has held in previous decisions that the market for mail delivery services can be segmented into express and standard delivery services.⁹ Further, the Commission has also considered the express and courier parcel services as one product market.¹⁰

¹⁰ See here: [-]

- (45) The Commission explained in its previous decisions that the segmentation between standard and express parcel services takes into account that express services are faster and more reliable than a standard service, that each of those services requires a different infrastructure and that express services comprise additional value-added services features, such as track and trace services and are usually also more expensive.
- (46) In its previous decisions, the Commission has also made a distinction between domestic and international parcel delivery services.
- (47) [redigeeritud] The applicant agrees with the past practice of the Commission and notes that, in Estonia, parcel delivery services are offered both through courier services and through parcel machine networks. From the perspective of end-users, these delivery methods are widely available and commonly used across the territory.
- (48) [-] The applicant observes that, in practice, customers may choose between different delivery methods based on convenience and individual preferences. This indicates a degree of substitutability between delivery options, irrespective of whether the service is formally classified as standard or express.
- (49) [-] From a supply-side perspective, operators are generally able to provide both types of services using largely comparable logistical resources and infrastructure, allowing them to adjust their service offering in response to market demand without significant barriers.
- (50) [-] In light of the above, the applicant considers that the distinction between standard and express parcel services may be of limited relevance for the purposes of the present assessment. In any

⁹ See Commission implementing decision (EU) 2019/1204 of 12 July 2019 concerning the applicability of Directive 2014/25/EU of the European Parliament and of the Council to contracts awarded for certain activities related to the provision of certain postal services and other services than postal services in Croatia (notified under document C(2019) 5194)

COMMISSION IMPLEMENTING DECISION of 22 March 2013 exempting certain services in the postal sector in Hungary from the application of Directive 2004/17/EC of the European Parliament and of the Council coordinating the procurement procedures of entities operating in the water, energy, transport and postal services <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32013D0154&from=EN>

¹⁰ COMMISSION DECISION of 16 March 2007 establishing that Article 30(1) of Directive 2004/17/EC of the European Parliament and of the Council coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors applies to certain courier and parcel services in Denmark. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007D0169&from=ET>. In relation to this decision and in response to and in response to question 5 (a) of the European Commission's RFI dated October 24, 2024, the applicant explains that in the opinion of the applicant, the Commission's approach indicates that the Commission has treated courier and express parcel services as a single market in its analysis. Thus, it is reasonable to conclude that the Commission may see these markets as interconnected, rather than separate. For further discussion regarding Commission Decision of 16 March 2007, please refer to the applicant's response to question 5 (a) of the European Commission's RFI dated October 24, 2024.

event, the conditions of competition would remain effective irrespective of whether such a distinction is maintained.

| Activity group | Standard parcel services | Express parcel services |
|--------------------------|--------------------------|-------------------------|
| Collecting | [-] | [-] |
| Customer service | [-] | [-] |
| Delivery | [-] | [-] |
| Sales | [-] | [-] |
| Sorting | [-] | |
| TOTAL Direct cost | [-] | [-] |

- (51) Nevertheless, if a distinction is made between standard and express services, the standard parcel services would be composed of services using a parcel machine for final delivery and express services as services using courier services for final delivery. In any case, the applicant believes that the Commission can leave the final product market definition open, since the services would be open to competition regardless of the above segmentation.
- (52) For fullness of information, the applicant explains that traditional parcel markets are facing increased competition from delivery platforms, offering same day, even same hour delivery, such as [-] and [-]. In contrast to traditional postal service, where even express delivery takes up to 24 hours, the delivery platforms are able to organise delivery generally within an hour of the customer making the purchase. Since Eesti Post is not active in such deliveries, such services have currently not been included as part of the product market – however such services do enact competitive pressure on more traditional domestic parcel services. ¹¹¹²
- (53) In response to question 4 of the European Commission’s RFI dated October 24, 2024, the applicant provides an elaboration and conclusion on demand-side substitutability and supply-side considerations between standard and express parcel services as follows:

Demand-Side Substitutability

- **Interchangeability of Services:** In Estonia, customers increasingly view parcel machines as interchangeable with courier services due to factors like convenience and accessibility. For instance, many customers prefer parcel machines even for express deliveries because they allow for easy pickup without needing to be home at the time of delivery.
- **Similar Delivery Times:** Both standard and express services often operate on similar timelines, with many deliveries occurring on the same day or the next day. This overlap reduces the perceived differences between the two service types for consumers, supporting the idea that they can be used interchangeably.

¹¹ <https://bolt.eu/en/cities/tallinn/>

¹² <https://wolt.com/en/est>

- **Consumer Preferences:** The growing popularity of parcel machines indicates a shift in consumer preferences toward services that prioritise convenience, further supporting the argument for demand-side substitutability.

Supply-Side Considerations

- **Cost Structures:** While there are differences in costs between standard and express services, these differences are often volume-dependent. In practice, the cost per parcel can align when the volumes are similar.
- **Flexibility due to similar infrastructure:** Companies providing both types of services can adjust their operations based on demand. If demand for express services decreases, providers can shift to enhance their standard service offerings without significant changes to their infrastructure.
- **Market Dynamics: The availability of alternative delivery options, like platforms (i.e. [-] or [-] in Estonia) that provide fast service, adds competitive pressure to both standard and express markets.**

(54) Further in response to question 4 of the European Commission’s RFI dated October 24, 2024, regarding the similarities and differences between standard versus express parcel delivery services, the applicant presents the following overview:

Demand-Side Considerations

| Factor | Similarities | Differences |
|------------------------------------|---|-------------|
| Importance of Delivery Time | Both express and standard services appeal to customers who value certainty about delivery time. | [-] |

| | | |
|--|--|--|
| Switching Behaviour (Price Sensitivity) | Both services are influenced by price changes. Customers are willing to shift between services depending on price differences. | [-] |
| Service Appeal (Customer Preferences) | [-] | [-] |
| | | and efficiency in delivery speed compared to couriers. |

Supply-Side Considerations

| Similarities | Differences |
|--|--|
| [-] | Cost Structure: Express services may include additional service features. [-] |
| Service provision is influenced by general market demand conditions. [-] | Service Flexibility: [-] |
| [-] | |

| | |
|-----|--|
| [-] | |
|-----|--|

1.1.4. Printing and packaging services for mail items

- (55) The Commission has previously considered a separate product market for printing and packaging services.¹³ The Commission explained that printing and packing services are offered as a package of services for mass delivery which is a common practice in relation to mass correspondence. The package includes, among other things, receipt of documents, printing, enveloping and foliation, packaging. In order to increase cost efficiency, such internal processes are often outsourced by companies to third parties.
- (56) The applicant agrees with the earlier practise of the Commission and maintains that the relevant market is the market for printing and packaging services.

1.1.5. Third- and fourth-party logistics services (international business)

-
- (57) The Commission has previously, in particular in relation to Sweden¹⁴, assessed the market for third- and fourth-party logistics services. In accordance with its previous practice, third- and fourthparty logistics services is defined as including import, warehousing and distribution as well as direction, control and development of the customer's flows of goods.¹⁵ The Commission has in its previous practice also assessed a similar service under the product market for contract logistics, which it defined as outsourced logistics and the associated data system services/logistics application and consultation services.¹⁶
- (58) The applicant notes that the aforementioned product market definitions of the Commission overlap to a large extent, since under both definitions, the service provided is in essence international logistics services entailing the direction and control of the customer's flow of goods heading towards a particular destination country. In any case, the applicant submits that there is no need to reach a conclusion on the final product market definition, since the market share of Eesti Post would be negligible under any plausible market definition. In line with the earlier

¹³ See Commission Implementing Decision (EU) 2016/1195 of 4 July 2016 exempting courier services and other services than postal services in Poland from the application of Directive 2014/25/EU of the European Parliament and of the Council on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (notified under document C(2016) 3986).

¹⁴ Commission Decision of 19 December 2008, exempting certain services in the postal sector in Sweden from the application of Directive 2004/17/EC of the European Parliament and of the Council coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (notified under document number C(2008) 8409)

¹⁵ Ibid, recital 2 (k).

¹⁶ Commission Decision of 6 August 2007, exempting certain services in the postal sector in Finland, excluding the Åland Islands, from the application of Directive 2004/17/EC of the European Parliament and of the Council coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (notified under document number C(2007) 3700), recital 21.

practise of the Commission, the applicant notes that the product market could be defined as the market for third- and fourth-party logistics services.

- (59) The applicant explains that Eesti Post mostly provides services to the major Chinese retailers [-] and [-] for the delivery of goods both within the EU as well as outside of the EU. In essence, the customer will arrange for the shipping (usually via plane) of goods from China into an airport in Europe. Subsequently, it will request the services of a third- and fourth-party logistics services provider (such as Eesti Post) to arrange for collection, toll procedures, sorting and arranging the logistics for delivery to the destination country, where the goods are distributed by the local service providers.
- (60) To the extent that the applicant is aware, e.g. [-] has an estimated 60 services providers providing third- and fourth-party logistics services, out of which Eesti Post has a share of approximately less than [-] based on volume. The applicant further notes that the market is highly dispersed, meaning that to the extent that it is aware of its main competitors (i.e. services providers within Europe), only large international service providers, such as [-] or [-] have a market share of [-] or more, with all other competitors having a lower market share. The corresponding market data has been provided in Section 5E of this application.

3.2. Please explain the definition of the relevant geographical market or markets that in your opinion should form the basis of the Commission's analysis. In your reply, please give reasons for assumptions or conclusions, supported by appropriate empirical evidence⁽¹³⁾, and explain how the factors outlined above have been taken into account. In particular, please specify the geographical area in which the entity or entities concerned by this request are active in the relevant product market(s), and if you consider the relevant geographical market to be wider than a single Member State, give the reasons for this.

In the questions below, this (or these) definition(s) is (are) referred to as 'the relevant geographical market(s)'.

1.1.6. International parcel services (inbound, outbound)

- (61) The Commission has in its previous practice considered the market for international parcel services as national¹⁷, however in related merger proceedings, has also noted that market dynamics are increasingly leading towards international markets.²¹ The applicant agrees with the previous practice of the Commission and notes that in respect to Estonia, the geographic market is at least national, potentially pan-Baltic. For clarity, the applicant has at this stage provided market data on the smallest possible geographic definition, i.e national.
- (62) In respect to a potential pan-Baltic market definition, the applicant notes that the conditions of competition across Estonia, Latvia and Lithuania are relatively homogeneous. The main factors supporting a pan-Baltic market definition are that:
- (a) customers in all three Baltic states prefer parcel machines as compared to alternative solutions – e.g. having parcels delivered to their doorstep or picking the parcel from postal offices /stores offering postal services,

¹⁷ See, e.g. Commission Decision of 27 May 2020, on the applicability of Article 34 of Directive 2014/25/EU of the European Parliament and of the Council to contracts awarded for activities related to the provision of certain postal services in Denmark (notified Under document C(2020) 3335), para 21. ²¹ See e.g. case COMP/M.5152 – Posten AB / Post Danmark A/S, para 68.

- (b) all main market participants in Estonia have a pan-Baltic parcel machine network, resulting in similar offering across all three Baltic countries;
 - (c) larger international business or postal operators look for a regional partner (covering at least Estonia, Latvia and Lithuania), rather than a national partner.
- (63) That said and in response to question 10 of the European Commission's RFI dated October 24, 2024, since the applicant believes that the market can be considered open to competition regardless of the geographic market definition, the precise definition of the market can be left open.

1.1.7. Domestic standard and express parcel services

- (64) The Commission has in its previous practise assessed the geographic scope of the market for domestic express parcel services to be national in scope. The Commission further explained that this segmentation is mainly based on the fact that such services are provided at national level.¹⁸
- (65) The applicant agrees with the prior practise of the Commission and further notes that the domestic express parcel services are provided either as courier services or through parcel machines located in different population centres close to or inside of commercial locations all over Estonia. Thereby the domestic express parcel service is offered all over Estonia to all consumers located in Estonia. The foregoing indicates that the geographic scope of domestic express parcel service is national in scope.

1.1.8. Printing and packaging services for mail items

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- (66) The Commission has in its previous practise assessed the geographic scope of the market for printing and packaging services for mail items to be national in scope. The Commission explained that the printing facility is organized nationally (even if the printing can be done outside of the national territory). The Commission further explained that the national product market definition is also supported by pricing differences between different Member States and that the services themselves are performed for potential and actual national senders in view to optimise their internal processes and reduce their cost.¹⁹
- (67) The applicant agrees with the prior practise of the Commission and further notes that the facilities for the provision of services are located in Estonia. For clarity, the applicant has not assessed pricing differences between different Member States, however notes that the final product market definition can be left open since even on a national product market definition, Eesti Post is not the largest services provider and thus access to the market can be considered not restricted due to the presence of Eesti Post.

¹⁸ See Commission implementing decision (EU) 2019/1204 of 12 July 2019 concerning the applicability of Directive 2014/25/EU of the European Parliament and of the Council to contracts awarded for certain activities related to the provision of certain postal services and other services than postal services in Croatia (notified under document C(2019) 5194), para 17.

COMMISSION IMPLEMENTING DECISION of 22 March 2013 exempting certain services in the postal sector in Hungary from the application of Directive 2004/17/EC of the European Parliament and of the Council coordinating the procurement procedures of entities operating in the water, energy, transport and postal services, para 19. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32013D0154&from=EN>.

¹⁹ See Commission Implementing Decision (EU) 2016/1195 of 4 July 2016 exempting courier services and other services than postal services in Poland from the application of Directive 2014/25/EU of the European Parliament and of the Council on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (notified under document C(2016) 3986), para 30.

1.1.9. Third- and fourth-party logistics services (international business)

- (68) The Commission has in its previous practise assessed the geographic scope of the market for third- and fourth-party logistics services as national²⁰. The applicant notes that while it agrees with the past practise of the Commission, it notes that the product market definition for the purposes of the current assessment may be wider than national, potentially covering at least the EEA or even a wider area.
- (69) The applicant notes that the core service Eesti Post offers to its clients is the control of the customers goods heading towards a particular country. For that purpose, Eesti Post mainly receives its import volumes in Riga (Latvia). From Riga, the import volumes are transported to the Kaunas (Lithuania) sorting center for sorting. From Kaunas, volumes are transported mainly by land transport to destination countries – Lithuania, Latvia, Estonia, Finland, Ukraine, Belarus (stopped after Ukrainian war), Moldova, Kazakhstan, Kyrgyzstan and Georgia. Depending on the entry and destination of particular import volumes, Eesti Post has access to sorting centres also in England, Finland, Holland, Germany and most recently in Estonia.
- (70) The applicant notes that to the extent that it is aware, Eesti Post and its main competitors provide the services internationally, with the advantages and disadvantages being determined by the location of the hubs (sorting centers) of the respective competitors. Thus, the market shows strong indications for a wider than national geographic scope. Nevertheless, there are still some indications that the market is national, since in order to offer final delivery, capacity for local distribution is required. For the purposes of the applicant, this is generally sourced from third parties active in the destination country. In any case, there is no need to determine the final product market definition, since the market share of Eesti Post would remain marginal under any plausible product market definition.
- (71) For clarity, the applicant has provided market data for Eesti Post both on pan-European market, as well as on a national market.

4. Section 4 — Applicability of the legislative acts referred to in Annex III to Directive 2014/25/EU.

4.1. Is the activity covered by this request subject to one of the legislative acts referred to in Annex III to Directive 2014/25/EU⁽¹⁴⁾? If so, indicate the act or acts of national law transposing the Union legislation concerned.

- (72) In Estonia, Directive 2008/6/EC has been transposed into national law through the Postal Act (Postiseadus), which was amended to incorporate the provisions of the directive. For reference, please see: Postal Act (Postiseadus), [RT I 2008, 53, 297](#) (draft law only in Estonian). Consequently, access to the relevant market should be deemed to be unrestricted in accordance with Article 34 (3) of Directive 2014/25/EU.

²⁰ Commission Decision of 19 December 2008, exempting certain services in the postal sector in Sweden from the application of Directive 2004/17/EC of the European Parliament and of the Council coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (notified under document number C(2008) 8409), para 22.

5. Section 5A - International parcel services (inbound, outbound)

5. Section 5 — Information concerning the relevant market and access to that market

Overview of services provided under the product market for international business parcel service

- (73) As noted under Section 1.1.2, the market for international parcel services consists of the provision of standard parcel services originating from outside of a particular EU member state (inbound) and services relating to parcels to be delivered outside of a particular EU member state (outgoing). The main players active on this market in Estonia are Eesti Post, [-], [-] (“[-]”), [-] (“[-]”), [-] (“[-]”), [-] (“[-]”) and [-] (“[-]”).
- (74) **Eesti Post is the Estonian incumbent postal operator, operating under the trademark “[-]”. Rather than an Estonian national postal operator, Eesti Post is better described as an international logistics company, focusing on the Baltics (Estonia, Latvia and Lithuania).**
- (75) **[-] was formally a standalone market participant operating under the trademark “[-]”. In 2010, [-] was acquired by [-], the Finnish incumbent postal operator. [-] adopted the new brand name [-] in the first half of 2025.** ²¹
- (76) **[-] belongs to the [-], which is one of the world leading parcel delivery networks, with market presence in all EU member states.** ²²
- (77) **[-] operated as two different companies until September 2023. The takeover of [-] by [-] has started and the merger process of the companies is currently underway. The main activity of the company is the provision of international express courier and transport services.** ²³
- (78) **[-] operates in Estonia through [-] and [-]. [-] is the world's leading logistics company serving more than 220 countries and territories.** ²⁴
- (79) **[-] manages a network of contactless parcel machines in Estonia, Latvia and Lithuania and offers a fulfillment service.** ²⁵
- (80) **[-] is an authorized contractor and courier service provider in Estonia under the [-] brand since 1994.** ²⁶
- (81) [-] Customer preferences in the Estonian market are characterised by a strong reliance on parcel machine solutions, which are widely available and used by all major operators.
- (82) Services are generally priced based on objective parameters such as size or weight, depending on the delivery method. Pricing approaches are broadly comparable across market participants.
- (83) Eesti Post, [-] and [-] also provide services where the price depends on the size, and the differences between size categories are very small:

Table 1 - Parcel sizes (Eesti Post, [-], [-])

| Dimensions | Eesti Post ³³ | [-] | [-] |
|--------------|--------------------------|------------|------------|
| Extra small* | [-] | 5*34*42 cm | 8*18*61 cm |

²¹ Official webpage of [-]: [https://www.\[-\].ee/](https://www.[-].ee/)

²² Official webpage of DPD: <https://www.dpd.com/ee/en/>

²³ Official webpage of TNT/Fedex: https://www.tnt.com/express/et_ee/site/home.html

²⁴ Official webpage of DHL: <https://www.dhl.com/ee-en/home.html>

²⁵ Official webpage of Venipak: <https://venipak.com/ee/en/>

²⁶ Official webpage of EKLT/UPS: <https://www.eklt.ee/>

| | | | |
|--------------------------------|---|-------------|--|
| Small | 9*38*64 cm | 12*34*42 cm | 8*43*61 cm |
| Medium | 19*38*64 cm | 20*34*42 cm | 17*43*61 cm |
| Large | 39*38*64 cm | 34*36*42 cm | 36*43*61 cm |
| Extra-large | Longest side 1,5 m, sum on length and bottom circumference up to 3 m. | 60*36*60 cm | Longest side 1,75 m, sum on length and bottom circumference up to 3 m. |
| Bigger than extra-large | Longest side 2,5 m, sum of length and bottom circumference up to 4 m | [-] | [-] |

*the dimensions offered by Eesti Post for extra small parcels are for maxi letters with an item content of up to 2kg.

Table 2 - Parcel maximum weight (Eesti Post, [-], [-])

| Maximum weight | Eesti Post³⁶ | [-] | [-] |
|-----------------------|--------------------------------|------------|------------|
| Extra small | [-] | 5 kg | 31,5 kg |
| Small | 30 kg | 35 kg | 31,5 kg |
| Medium | 30 kg | 35 kg | 31,5 kg |

³² For clarification and in response to question 7 (a) of the European Commission's RFI dated October 24, 2024, "measurement-based pricing" refers to a pricing structure that is determined by the dimensions of the parcels, specifically their size.

³³ Eesti Post parcel sizes available here: [-] ³⁴ [-] parcel sizes available here: [-] ³⁵ [-] parcel sizes available here: [-]

³⁶ See reference 32.

³⁷ See reference 33.

³⁸ See reference 34.

| | | | |
|--------------------------------|--------|-------|---------|
| Large | 30 kg | 35 kg | 31,5 kg |
| Extra-large | 30 kg | 35 kg | 31,5 kg |
| Bigger than extra-large | 100 kg | [-] | [-] |

(84) In the light of above and in the case of measurement-based pricing, Eesti Post does not offer the XS category, but maxi letters as an alternative. The maximum dimensions of maxi letter can be either 230*230*20 mm or the sum of the length, width and height being 900 mm and the maximum weight can be 2 kg, the price depends on the weight (0-250 g, 250-500 g, 0.5-1 kg and 1-2 kg).²⁷ This service is mainly used for small and light items, which competitors offer in the XS category.

(85) In terms of Eesti Post, for the services where the price depends on the weight, the maximum dimensions and the maximum weight are exactly the same, as for the largest categories in Table 1 and Table 2. As [-] and [-] do not display on their websites the price lists for international business letters, it is not possible to say with [-] certainty that the price lists are similar to those of Eesti

²⁷ Information about the maxi letter service provided by Eesti post is available here: https://www.omniva.ee/private/letter/letter_to_abroad#popup_box-88

Post, but this information has been provided by Eesti Post's sales managers based on customer feedback.

(86) [-] uses a different categorization method slightly different dimensions, which in turn are also related to the maximum weight:

| DHL size category | Dimensions | Weight |
|-------------------|-------------------|--------|
| Envelope | 35*27,5 cm | 0,5 kg |
| Box 2 | 33,7*18,2*10 cm | 1 kg |
| Box 3 | 33,7*32,2*10 cm | 2 kg |
| Box 4 | 33,7*33,2*18 cm | 5 kg |
| Box 5 | 33,7*32,2*34,5 cm | 10 kg |
| Box 6 | 41,7*35,9*36,9 cm | 15 kg |
| Box 7 | 48,1*40,4*38,9 cm | 20 kg |
| Box 8 | 54,1*44,4*40,9 cm | 25 kg |

(87) Based on the tables above, [-]'s weight limits are close to those offered by Eesti Post, with an exemption being that the upper limit of weight for parcels sent through Eesti Post are higher. Those parcels make up a marginal share of the overall parcels sent, thus, it can be assumed that the above implies that parcel categories of both competitors are priced according to similar principles.

(88) In addition to the above, [-], [-], [-] and [-] also offer services where the price depends on both the weight and the size of the shipment, i.e. the volumetric weight is taken into account and the price is based on either the real weight or the volumetric weight (whichever is higher). Since they also offer transport of trays, they do not provide the maximum dimensions of "parcel size" shipments, but the maximum dimensions assume that a shipment is packed on a tray:

| | [-] ²⁸ | [-] ²⁹ | [-] | [-] ³⁰ |
|--------------------|-------------------|-------------------|----------------|---|
| Maximum dimensions | 120*100*170 cm | 240*120*150 cm | 240*120*220 cm | Longest side 2,47 m cm, sum of length and girth 4 m |

²⁸ Venipak maximum parcel size is available here: <https://fast.venipak.com/siuntu-pakavimas>

²⁹ TNT/FedEx maximum parcel size is available here: https://www.tnt.com/express/et_ee/site/how-to/calculate-size and https://www.tnt.com/express/et_ee/site/how-to/calculate-size-and-weight.html

⁴² DHL maximum parcel size is available here: <https://www.fedex.com/content/dam/fedex/international/rates/fedex-rates-export-et-ee.pdf>

<https://www.dhl.com/content/dam/dhl/local/nl/dhl-freight/documents/pdf/nl-freight-eurapid-weight-and-dimensions-charging-rules-en.pdf>

³⁰ EKL/UPS maximum parcel size is available here:

<https://www.ups.com/ee/en/support/shipping-support/shipping-dimensions-weight.page>

- (89) In conclusion, extra small parcels are only provided by [-] and [-], with Eesti Post providing a viable alternative as maxi letters with an item content up to 2kg. Due to weight and size limits, the maxi letters compete mostly against extra small parcels (please see recital (83) for more details). This means that maxi letters should be considered as a similar product and an alternative to extra small parcels provided by competitors.
- (90) In response to question 7 (b) of the European Commission's RFI dated October 24, 2024, in addition to the key difference mentioned – where measurement-based pricing is used for shipments delivered to a pick-up point or parcel machine, and weight-based pricing is applied for courier delivery – there are other factors that influence the method of pricing. These include the capabilities of the shipping companies' systems and their sorting infrastructure. Depending on the company's logistics and the type of service provided (e.g., domestic vs. international, standard vs. express), they may choose to use a size-based pricing model, weight-based pricing, or a combination of both. Additionally, flat-rate pricing is often used by smaller local companies, while distance-based pricing is common with services like [-] or [-]. Regarding the breakdown of pricing methods, it is important to note that for postal services and letter-sized shipments, the pricing is generally based on weight. For 2023, approximately [-] of shipments, particularly for pick-up and drop-off (PUDO) services, were priced based on size. The remaining [-] were priced according to weight for other services,

This section must be completed irrespective of the reply to point 4.1 above.

Certain points may not be relevant for some activities or the factual situation of a given applicant — in such cases, please indicate so point by point.

The applicant may limit itself to giving a precise reference point by point to the relevant part(s) of a reasoned and substantiated position as referred to in Article 35 of Directive 2014/25/EU, adopted by an independent national authority that is competent in relation to the activity concerned, in which the point concerned is analysed.

5.1. Please give the reasons why you consider that access to the relevant market is not restricted.

- (91) The applicant explains that the market is characterised by several major market players, with at least 5 market players with a market share of above [-]. While out of those Eesti Post is estimated to have the largest market share, its market share remains below [-].
- (92) This itself indicates that Eesti Post is subject to appreciable competitive pressure, thereby being a strong indication for the market being open to competition.

(93) The applicant further explains that due to the growing nature of the market and increase in alternative services providers (i.e. offering same hour delivery (e.g. [-]) etc.), new undertakings are encouraged to enter the market. This incentive combined with very low customer loyalty allows for a rapid change of market shares due to competitive conditions on the market.

(94) The market situation and the lack of access restrictions to relevant market are also described in more detail in recitals 0-(112) of the application.

5.2. For each relevant market, for each of the last three financial years⁽¹⁵⁾, and for each of the following territories:

- (a) the EEA territory;
- (b) the EU as a whole;
- (c) the territory of the EFTA States as a whole;

- (d) each Member State and each EFTA State where the applicant carries out an activity; and
- (e) the relevant geographical market⁽¹⁶⁾, if the applicant considers that this market is different

Please provide the information referred to in points 5.2.1 to 5.2.9

- 5.2.1. an estimate of the total size of the market in terms of sales value (in Euro) and volume (units)⁽¹⁷⁾, indicating the basis for the calculations and sources used and providing documents, where available, to confirm these calculations;
 - 5.2.2. the sales in value and volume, as well as an estimate of the market share held by the applicant;
 - 5.2.3. an estimate of the market share in value (and, where appropriate, volume) of all competitors (including importers) having at least [-] of the geographical market under consideration. Provide documents, where available, to confirm the calculation of these market shares and provide the name, address, telephone number, fax number and appropriate contact person, of these competitors;
- (95) The applicant explains that the relevant market for international parcel services is national, with indications that the potential scope could be wider, potentially covering all of the Baltics. This is because multiple market participants, such as Eesti Post, [-] and [-] for example, operate across the Baltic region.
- (96) In respect to market share on all of EU or EEA, the applicant notes that it only provides parcel services in Estonia, Latvia and Lithuania. Consequently, its market share on an EEA or EU level would be marginal. In relation to its market share in the territory of the EFTA States, the applicant notes that Eesti Post is not active in the EFTA territories in relation to parcel services and thus does not have market presence. As a result, the applicant requests the Commission to waive the requirement stipulated under section 5.2 points (a) – (c) to provide data for the relevant market for each of the last three financial years.
- (97) For ease of data interpretation, the applicant has provided information requested under points 5.2.1 - 5.2.3 in a single table, segmenting the information based on value, volume and distinguishing between B2X and C2X business segments.

Accordingly, the applicant has provided market data for the following international segments in the following order:

- (a) International parcel services (including inbound, outbound);
 - (b) B2X segment;
 - (c) C2X segment.
- (98) In respect to the total market size and market share of its competitors international parcel service services in respect to value (EUR), the applicant has relied on its best judgment, public data³¹ and public data on revenues from the Estonian tax authority for undertakings registered with the Estonian Classification of Economic Activities (EMTAK, national equivalent to NACE classification) for Other postal and courier activities (NACE code H53.2) and freight transport by road (NACE code H49.4.1, for known competitors only).
- (99) In respect to the total market size, the applicant notes that, there are further smaller market players on the market, who possess international parcel networks also extending to Estonia, however regarding whom clear market data is not available. Such competitors are major international parcel services providers, such as [-], [-] and [-]. The overall revenue generated by

³¹ Example of public market share data can be found here: <https://www.e-kaubanduseliit.ee/uudised/juuni-juulikuuhttps://www.e-kaubanduseliit.ee/uudised/juuni-juulikuu-pakiautomaatide-mahtude-monitooringpakiautomaatide-mahtude-monitooring>.

the Estonian legal entities of such is available on the market, however such revenue is not segmented based on domestic or international, nor inbound or outbound. Consequently, the applicant has provided its best estimate for such market players.

- (100) The estimates are based on the proportion of international versus domestic postal services for Eesti Post, with the same logic for the inbound and outbound market segments.
- (101) [-] In respect of market size in terms of volume, the applicant notes that precise market-wide data is not publicly available. The estimates provided are based on the applicant's internal assessment and publicly available information, reflecting general market conditions.
- (102) [-] The applicant further notes that detailed segmentation of competitors' activities between business and consumer segments is not publicly available. The applicant's assessment is therefore based on general market observations, indicating that a significant proportion of international parcel flows are related to e-commerce.
- (103) [-] The applicant notes that updates have been made to previously submitted data in order to improve overall data quality. These updates do not materially alter the competitive assessment.

Table 3 - International parcel service (value)

| <i>Inbound and Outbound</i> | 2021 | | 2022 | | 2023 | |
|--|-------------|------------------|-------------|------------------|----------------|-------------|
| | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) | Volume (units) | Value (EUR) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| Out of which maxi letters (up to 2kg) | [-] | | [-] | | [-] | |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

| | | | | | | |
|------------|------------|------------|------------|------------|------------|------------|
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 4 - International parcel service (volume)

| <i>Inbound and Outbound</i> | 2021 | | 2022 | | 2023 | |
|--|----------------|------------------|----------------|------------------|----------------|------------------|
| | Volume (units) | Market share (%) | Volume (units) | Market share (%) | Volume (units) | Market share (%) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| Out of which maxi letters (up to 2kg) | [-] | | [-] | | [-] | |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

| | | | | | | |
|-----|-----|-----|-----|-----|-----|-----|
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 5 - B2X (value)

| | 2021 | | 2022 | | 2023 | |
|--|-------------|------------------|-------------|------------------|-------------|------------------|
| | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| Out of which maxi letters (up to 2kg) | | | | | [-] | |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 6 - B2X (volume)

| | 2021 | | 2022 | | 2023 | |
|--|----------------|------------------|----------------|------------------|----------------|------------------|
| | Volume (units) | Market share (%) | Volume (units) | Market share (%) | Volume (units) | Market share (%) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| Out of which maxi letters (up to 2kg) | | | | | [-] | |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 7 - C2X (value)

| | 2021 | | 2022 | | 2023 | |
|-----|-------------|------------------|-------------|------------------|-------------|------------------|
| | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

decline of about [-]. According to the applicant, this sharp decline is linked with three factors. Firstly, according to Eesti Post, the sending of maxi letters is a product that is gradually being phased out, with decreasing consumption by consumers each year, as the service

is less convenient for the consumer as compared to parcel machines (parcel machines are more widely available with better opening hours (if not accessible at all times). Secondly, as a result of the expansion of its competitors' market, Eesti Post has lost a large part of its maxi letter service volumes to the alternatives offered by its main competitors because, as described above, the latter have expanded rapidly in the market. According to Eesti Post, Eesti Post has lost the volume of its maxi letters primarily to [-] but also to other market participants. Thirdly, a further reason for the decrease in the volume of maxi letters is that parcels sent from [-] started to be consolidated (if one person ordered from several different sellers at the same time, they were no longer sent as separate parcels but packed together into a single shipment).

(112) In light of the above, the expansion of competitors' activities in the market has led to a situation where the market share of Eesti Post has decreased in recent years, both in terms of value and volume, leading to increased prominence of its competitors. Considering these circumstances, it can be stated that the market is opened to competition.

(113) The contact details for the competitors are provided below:

| Competitor | Contact info |
|-------------------|---------------------|
| [-] | [-] |
| [-] | [-] |
| [-] | [-] |
| [-] | [-] |
| [-] | [-] |

| | |
|-----|-----|
| [-] | [-] |
|-----|-----|

5.2.4. an estimate of the total value, volume and source of imports from outside the EEA territory and identify:

- (a) the share of such imports attributable to the applicant;
- (b) an estimate of the extent to which any quotas, tariffs and non-tariff barriers to trade constitute barriers to these imports; and
- (c) an estimate of the extent to which transportation and other costs affect these imports.

(114) The applicant explains that the provision of postal services requires the presence of a local postal network, which in turn requires local presence for market players. This remains true for international (outbound, inbound) postal services. This is because the provision of outbound and inbound international parcel services requires a national postal network with access to networks in destination countries or countries, wherefrom the parcel originates.

(115) Consequently, the applicant notes that the share of imports from outside the EEA territory is not relevant for assessing the direct exposure to competition for the provision of postal services and asks the Commission to waive the requirement under this Section 5.2.4.

5.2.5. the extent to which trade between States within the territory of the EEA is hindered by:

- (a) transportation and other costs; and (b) other non-tariff barriers to trade.

(116) The applicant explains that for the provision of international parcel services, the key requirement is a local (national) parcel network and access to networks in destination countries or where the parcel originates from or where the outgoing parcel is directed.

(117) Such access is provided through vertical agreements with service providers located in other jurisdictions.

(118) The applicant explains that within the EEA, as long as postal operators have access to any of the aforementioned networks, along with a local presence, there are no appreciable barriers to trade.

5.2.6. the manner in which the applicant produces and sells the products or services; for example, whether they are manufactured locally, or are sold through local distribution networks;

(119) The applicant notes that international parcel services (both inbound and outbound) are provided through the same local distribution network consisting of post offices and parcel machines and services. Majority of market players (e.g. DHD, [-]) also provide the service through its courier network.

(120) The preference between post offices versus parcel machines is generally determined by the customer, with the overwhelming majority of Estonian customers preferring parcel machines.

(121) From the supply side, the applicant notes that while only Eesti Post has access to a post office network, this is not an advantage, since the costs associated with the upkeep of such a network do not allow for the provision of parcel services to compete without public subsidies.

5.2.7. a comparison of the applicant's and its competitors' price levels in each Member State and EFTA State and a similar comparison of price levels between the EU, the EFTA States and other areas where these products are produced (for example, Eastern Europe, the United States of America, Japan, or any other relevant area);

(122) Eesti Post assesses its price based on costs as well as competitor pricing.

(123) As noted under recital (83), parcels can be segmented into six different categories by size, with each category having its own pricing. Generally, the pricing is very similar between Eesti Post and its main competitors and depends on the weight, size and destination of the parcel as is illustrated by the tables under recital (124).

(124) The applicant explains that in general the pricing between Eesti Post³³ and its competitors ([-]³⁴ and DPD⁴⁸) is more or less the same. A comparison between the provision of services from Estonia to Latvia and Lithuania can be found below for small, medium and large parcels:

| Small parcels | Estonia - Latvia | Estonia - Lithuania |
|----------------------|-------------------------|----------------------------|
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| [-] | [-] | [-] |

| Small parcels | Estonia - Latvia | Estonia - Lithuania |
|----------------------|-------------------------|----------------------------|
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| [-] | [-] | [-] |

| Small parcels | Estonia - Latvia | Estonia - Lithuania |
|----------------------|-------------------------|----------------------------|
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| [-] | [-] | [-] |

(125) For clarity, the applicant further notes that it also provides international parcel services through maxi letters with an item content of up to 2kg, using the post office network. In respect to pricing, the price is determined by the weight of the letter and the destination and thus varies significantly.

5.2.8. the nature and extent of the vertical integration of the applicant compared with the largest competitors;

(126) The applicant notes that in general, the importance of vertical integration is limited and does not result in any significant competitive advantage. At most, vertical integration is an indication of closeness of competition between each of the postal operators.

(127) As a starting point, the provision of international business parcel delivery uses several inputs which can either be sourced from third parties or provided by the postal operators themselves. Whether or not certain inputs are sourced from third party service providers or are supplied

³³ Eesti Post parcel pricing is available here: <https://www.omniva.ee/public/files/failid/hinnakiri-pakk-pakiteenus-era-est-en-2024-uus.pdf>

³⁴ [-] parcel pricing is available here: [https://www.\[-\].ee/en/sending/parcel-prices#domestic-parcel](https://www.[-].ee/en/sending/parcel-prices#domestic-parcel) ⁴⁸ DPD parcel pricing is available here: <https://www.dpd.com/ee/en/price-list/>

“inhouse” through vertical integration depends on the business models of each of the postal operators.

- (128) The main inputs which may either be bought in or provided via vertically integrated divisions of the postal operators are IT and land or air transport. In respect to IT, the costs to developing an inhouse IT solution for customers to interact with e.g. parcel machines are comparable to having the IT solutions provided by third parties. While the inhouse solution does provide more flexibility,

ultimately, the solutions provided by third parties have sufficiently matured and the need for additional flexibility as compared to third party solutions is relatively low.

- (129) In respect to vertical integration related to transport – this does result in some advantages, in particular in relation to express parcel services, however the volumes needed to take significant advantage of this are not present on the Estonian market, thus the competitive advantage is minor, if present at all.
- (130) One notable exception regarding the extent of vertical integration for international parcel delivery is the fact that Eesti Post and its main competitors are also present in other Baltic countries. Since international business parcels also move between Estonia, Latvia and Lithuania, this allows each of the market participants to use their own parcel networks in Estonia and in the other Baltic countries. In practice, this allows for a more flexible provision of services for parcels moving between Estonia, Latvia and Lithuania – e.g. increased IT integration so that cross-border parcel services are provided to customers under similar conditions as domestic parcel services.

5.2.9. information on the cost structure of the applicant⁽¹⁸⁾. Also, specify any assets or infrastructure used jointly with other entities or used to carry out more than one activity covered by Directive 2014/25/EU. Where the use of such assets or infrastructures is subject to special conditions, such as universal service obligations or special rights, please specify.

- (131) The applicant explains that in terms of infrastructure used, Eesti Post uses two distinct infrastructures to provide international parcel services. In particular, the parcel machine network and the post office network. The applicant explains however that the post office network is not required for the provision of international parcel services and is there only due (i) the universal service obligation resting on Eesti Post, and (ii) since the provision of maxi letters (with an item content of up to 2kg) remains competitive with alternatives offered by the main competitors of the Eesti Post (who use the parcel machine network to do so).
- (132) In addition to the presence of a parcel machine network, the other main costs are made up by land and air transport and IT.
- (133) Aside from transport, almost all other required assets and infrastructure is used to carry out more than one activity covered by Directive 2014/25/EU. In particular, the parcel machine network is used to offer both domestic and international standard parcel services and the post office network is used to carry out all services under the universal service obligation.
- (134) In particular, the following assets are used for the provision of international parcel services³⁵:
- (a) parcel machines;
 - (b) post offices;
 - (c) distribution centers;
 - (d) sorting line and related equipment;
 - (e) commercial vans and truck;
 - (f) domestic transport;

³⁵ The table also illustrates the assets concurrently used by Eesti Post for other service segments.

- (g) frontline workwear;
- (h) office;
- (i) IT: Core system (infa, ERP, CRM, DWH); (j) IT: Parcel related.

(135) The universal service obligation in Estonia includes the following³⁶:

-
- (a) the forwarding of items of correspondence weighing up to 2 kilograms as ordinary, registered and insured items;
 - (b) the forwarding of postal parcels weighing up to 20 kilograms as registered and insured items.

(136) In response to question 11 (b) of the European Commission's RFI dated October 24, 2024, Eesti Post explains that it does receive compensation for discharging the Universal Service Obligation (USO), but the compensation is strictly allocated for these universal services and does not involve any cross-subsidization with other business segments. In the context of Eesti Post's exemption request, the compensation is only relevant for the provision of "maxi letter" related services under international parcel service business segment, as this falls within the definition of universal postal services according to the Postal Act. In response to question 3 of the European Commission's RFI dated December 16, 2024, the applicant confirms that there is no cross-subsidisation between services under the universal service obligation (maxi-letters) and other business segments, such as international parcel services.

5.3. Please provide the following information:

5.3.1. Over the last five years, has there been any significant entry to the geographical market(s) for the relevant products ⁽¹⁹⁾? If the answer is 'yes', where possible provide the name, address, telephone number and fax number of the undertaking concerned, as well as the appropriate contact person, and an estimate of their current market share.

(137) Eesti Post is not aware of any significant entry to the geographic markets within the last five years. That said, [-] and [-] are competitor who have aggressively expanded their market presence, via installation of new parcel machines (see recitals (109) and (110) above). Thus, the applicant expects that both [-] and [-] will significantly increase, potentially triple its market share in the next few years.

5.3.2. In the opinion of the applicant are there any undertakings (including those at present operating only in markets outside the EU or outside the EEA) that could enter the market? If the answer is 'yes', please explain why and identify such undertakings by name, address, telephone number, fax number and appropriate contact person, and give an estimate of the time within which such market entry is likely to occur.

(138) The applicant does not consider there to be any applicants who could enter the market from outside the EU or EEA.

5.3.3. Describe the various factors influencing entry into the relevant markets in this case, from both a geographical and product viewpoint. In so doing, take account of the following, where appropriate:

³⁶ Article 5(2) of the Estonian Postal Act. Available online here: <https://www.riigiteataja.ee/en/eli/531122021006/consolide>

- (a) the total costs of entry (research and development, distribution systems necessary, promotions, advertising, after-sales service, etc.) on an equivalent scale to that of a significant viable competitor, indicating the market share of a such competitor;
- (139) [-] The applicant notes that entry into the market requires investment in logistics infrastructure and operational capabilities. However, such investments are not prohibitive in the Estonian context.
- (140) [-] In addition, access to IT solutions necessary for operating in the market is widely available, including through third-party providers, reducing barriers to entry.
- (141) [-] Overall, the applicant considers that market entry is feasible within a reasonable timeframe and does not require specialised or exclusive know-how.
- (142) [-] The applicant notes that market entry and expansion can occur within a relatively short timeframe, supported by low switching costs for customers.
- (143) [-] Customer loyalty in the market is generally limited, although certain preferences may exist in specific corridors or routes.
- (144) [-] As a result, market participants actively differentiate their services in order to remain competitive.
- (b) any legal or regulatory barriers to entry, such as government authorisation or the existence of any standards;
- (145) The provision of international parcel services does not require any permits, government authorization or mandatory standards.
-

- (c) any restrictions created by the existence of patents, know-how and other intellectual property rights in these markets and any restrictions created by the licensing of such rights;
- (146) The applicant submits that there are no restrictions to entry created by the existence of patents, know-how or other intellectual property rights.
- (d) the extent to which the applicant is a licensee or licensor of patents, know-how and other rights in the relevant markets;
- (147) Eesti Post is not a licensee or licensor of patents, know-how or other relevant rights which may impact market entry for competitors.
- (e) the importance of economies of scale for the production of products in the relevant markets;
- (148) Due to a large portion of costs being fixed, economics of scale are important for the provision of international parcels services. In particular, significant economies of scale in the parcel sector would allow for further integration, which would generate efficiencies and allow for lower pricing.
- (149) However, due to the smallness of the Estonian market, Eesti Post considers it unlikely that economies of scale could impact competition between the market participants. That said Eesti Post notes that in order to recoup initial investment costs and fixed costs related to the parcel machine network, a minimum of [-] customers/ market share is required. Regarding the above number, according to the applicant, a market player with a [-] market share has sufficient capacity to cover its own operating costs. In the case of parcel services, this percentage is more likely to be around [-], but for courier services the figure is higher, estimated to be slightly above [-], as serviced volume is more important in this business segment.

- (f) access to sources of supply, such as availability of raw materials.

(150) Access to various supplies is freely available.

RESEARCH AND DEVELOPMENT

5.3.4. Give an account of the importance of research and development in the ability of an undertaking operating in the relevant market(s) to compete in the long term. Explain the nature of the research and development carried out by the applicant in the relevant markets.

In so doing, take account of the following, where appropriate:

- (a) trends and intensity of research and development⁽²⁰⁾ in these markets and for the applicant;
- (b) technological developments in these markets over an appropriate time period (in particular developments in products and/or services, production processes, distribution systems, and so on);
- (c) the major innovations that have been made in these markets and the undertakings responsible for these innovations;
- (d) the cycle of innovation in these markets and where the parties are in this cycle of innovation.

(151) The applicant notes that research and development plays a marginal role in competition, with the main development related to the IT – i.e. user experience (UX) design and the presence of online services.

(152) Other potential developments could relate to alternatives to parcel machine networks, such as delivery by drones etc., however such developments have not yet seen widespread use in Estonia.

COOPERATION AGREEMENTS

5.3.5 To what extent do cooperation agreements (horizontal or vertical) exist in the relevant markets?

5.3.5 Give details of the most important cooperation agreements concluded by the applicant in the relevant markets, such as research and development, licensing, joint production, specialisation, distribution, long term supply and exchange of information agreements.

(153) Due to the provision in international parcel services requiring a local network both in the country where the parcel originates from, as well as in the destination country of the parcel, cooperation agreements are quite common.

6. Section 6 — Exposure to competition

Certain points may not be relevant for some activities or the factual situation of a given applicant — in such cases, please indicate so point by point.

The applicant may limit itself to giving a precise reference point by point to the relevant part(s) of a reasoned and substantiated position as referred to in Article 35 of Directive 2014/25/EU, adopted by an independent national authority that is competent in relation to the activity concerned, in which the point concerned is analysed.

According to Article 34(2) of Directive 2014/25/EU, the question of whether an activity is directly exposed to competition must be decided on the basis of criteria that are in conformity with provisions on competition of the TFEU, such as the characteristics of the goods or services concerned, the existence of alternative goods or services, the prices, and the actual or potential presence of more than one supplier of the goods or services in question.

6.1. Explain why you consider that the activity covered by this request is fully exposed to competition in the relevant product market on the relevant geographical market(s). In particular, give the following information:

- (154) [-] The market is characterised by the presence of multiple operators with comparable market positions and no single operator able to act independently of competitive pressure.
- (155) [-] The existence of several alternative providers indicates that no single operator can act independently of competitive pressure.
- (156) [-] Even in segments where the applicant holds a relatively stronger position, it continues to face effective competition from other operators.
- (157) [-] In particular, larger international operators benefit from broader networks and economies of scale, which further contribute to competitive pressure in the market.
- (158) In conclusion, the provision of international parcel services in Estonia is not only open to competition, but a market subject to strong competition between international and regional players. This is also indicated from the market shares remaining dynamic, allowing for rapid changes from year to year.

GENERAL CONDITIONS ON THE RELEVANT MARKET

6.1.1. Identify the five largest independent suppliers ⁽²¹⁾ to the applicant and their individual shares of the applicant's purchases (of raw materials or goods used to produce the relevant products).

Provide the name, address, telephone number, fax number and appropriate contact person, of these suppliers:

(159) The contact details of the five largest independent suppliers are as follows:

| Name of the supplier | Supply sourced from the supplier | Share of the supplier from the applicant's purchases (%) | Contact information |
|----------------------|----------------------------------|--|---------------------|
| [-] | Last mile delivery | [-] | [-] |

| | | | |
|-----|------------------|-----|-----|
| [-] | Courier services | [-] | [-] |
| [-] | Transport | [-] | [-] |
| [-] | Transport | [-] | [-] |
| [-] | Parcel machines | [-] | [-] |
| [-] | Transport | [-] | [-] |

Please also identify the undertakings affiliated to the applicant and their individual shares of the applicant's purchases (of raw materials or goods used to produce the relevant products). Provide the name, address, telephone number, fax number and appropriate contact person, of these undertakings.

(160) The applicant provides services for its Latvian and Lithuanian postal entities. In 2023, Eesti Post remunerated Latvian and Lithuanian subsidiaries with a sum of [-]. At the same time, Eesti Post paid its subsidiaries in Latvia and Lithuania approximately [-] for the delivery of parcels (e.g. [-] parcels, etc.).

STRUCTURE OF SUPPLY IN THE RELEVANT MARKETS

6.1.2. Describe the distribution channels and after-sales service networks that exist in the relevant markets. In doing so, take account of the following, where appropriate:

(a) the existing distribution systems and their importance in these markets. To what extent is distribution performed by third parties or by undertakings affiliated to the applicant?

(161) The applicant explains that services are provided to customer directly through the relevant networks. Third parties or undertakings affiliated to the applicant do not provide any such services.

(b) the existing after-sales service networks (for example, maintenance and repair) and their importance in these markets. To what extent are these services performed by third parties or by undertakings affiliated to the applicant?

(162) After-sales services are not relevant for the provision of parcel services.

6.1.3. Where appropriate, provide an estimate of the total EU-wide and EFTA-wide capacity for the last three years. During this period, what was the capacity of the applicant and what was the rate of its capacity utilisation?

(163) Outside of exceptional circumstances (e.g. COVID-19 and / or war), capacity concerns are generally not relevant for the provision of parcel services within the EU or EFTA.

(164) The applicant notes that some capacity concerns may arise as a result of parcel machine networks during increased shopping times - e.g. Christmas –, provided that customers do not pick up their parcels in a timely manner. This, however, is generally not a problem for the provision of services outside of those peak times.

6.1.3. Please indicate any other supply -side considerations you consider to be relevant.

(165) Supply in Estonia is supported by the presence of local parcel machine networks. Since parcel machine networks are used for the provision of different postal services, market participants active in those markets are able to easily enter the market for international parcel services as well.

STRUCTURE OF DEMAND IN THE RELEVANT MARKETS

6.1.5. Identify the five largest independent customers of the applicant in the relevant market and their individual shares of total sales of the relevant products by the applicant. Provide the name, address, telephone number, fax number and appropriate contact person, of each of these customers.

(166) The five largest independent customers of the applicant are indicated in the following table. For clarification, the table does not include other postal operators (i.e. if, for example, customers send parcels via Dutch Post, Dutch Post is not included in this table).

| Name of the customer | Share of total sales of the applicant (%) | Contact information |
|----------------------|---|---------------------|
| [-] | [-] | [-] |

| | | |
|-----|-----|-----|
| | | [-] |
| [-] | [-] | |
| | | [-] |
| [-] | [-] | |
| | | [-] |
| [-] | [-] | |
| | | [-] |
| [-] | [-] | |

6.1.6. Explain the structure of demand in terms of :

- (a) the different phases of the markets, for example, take-off, expansion, maturity and decline, and a forecast of the growth rate of demand;
- (167) The applicant notes that the international parcel services market is in a growth phase, due to ever increasing popularity of e-commerce and its related services.
- (b) the importance of customer preferences, in terms of brand loyalty, product differentiation and the provision of a full range of products;
- (168) The applicant notes that there are strong customer preferences on how parcel services are provided (i.e. using the parcel machine network). However, since all main market participants have parcel machine networks, they can all be considered substitutable from the perspective of the customer.
- (169) In relation to product differentiation and the provision of full range of products, the applicant notes that Eesti Post as well as its main competitors all provide similar product, with very small differences in the products in practise. The differences are a result of each of the market participants trying to distinguish its offering from the competitors, which allows it to offer a slightly different price. Overall, the product offerings are strongly influenced by the particular parcel machine network that a market participant has. Eesti Post notes that brand loyalty is very low, if present at all. In response to question 3 of the European Commission's RFI dated October 24, 2024, the applicant further specifies that established companies may benefit from brand loyalty and trust, but in Estonia, brand loyalty in the post sector is typically lower than in consumer-facing sectors. Consumers are generally more willing to switch service providers for better service or lower prices. However, incumbent players such as Eesti Post still may enjoy a degree of trust due to their established reputation, but all in all the brand loyalty is very low.

- (c) the degree of concentration or dispersion of demand;
- (171) The applicant notes that demand is dispersed, since there is a large number of customers, with no single customer making up more than 10 – [-] (see table under recital (166) of the provision of services by Eesti Post.
- (d) segmentation of customers into different groups with a description of the ‘typical customer’ of each group;
- (172) The applicant notes that while there can be potential distinctions made between business customers and consumers, a segmentation into different customer groups is not warranted.
- (e) the importance of exclusive distribution contracts and other types of long-term contracts;
- (173) Exclusive distribution and other long-term contracts are not relevant for the provision of international parcel services.
- (f) the extent to which contracting authorities, State undertakings or similar bodies are important as a source of demand.
- (174) The applicant notes that contracting authorities of other member states are important sources of demand, since parcels originating from such entities make up an estimated [-] of all inbound parcels. At the same time, however, the applicant explains that this share is decreasing, as Eesti Post is at the same time entering into commercial contracts with postal operators.
- (175) State undertakings or similar bodies, however, are not an important source of demand, i.e. at least no different than a large corporation.
- 6.1.7. Provide estimates of the degree of consumer activity in terms of switching supplier and renegotiating contracts in the last five years. Also give the sources used for this and, where available, the necessary documents to confirm the estimates:
- (176) The applicant explains that customers regularly change suppliers, thus the degree of switching between suppliers can be considered high. This is also reflected in the relatively rapid change in market shares year to year in all potential segments for international parcel services.

Section 5B – Domestic standard and express parcel services

5. Section 5 — Information concerning the relevant market and access to that market

This section must be completed irrespective of the reply to point 4.1 above.

Certain points may not be relevant for some activities or the factual situation of a given applicant — in such cases, please indicate so point by point.

The applicant may limit itself to giving a precise reference point by point to the relevant part(s) of a reasoned and substantiated position as referred to in Article 35 of Directive 2014/25/EU, adopted by an independent national authority that is competent in relation to the activity concerned, in which the point concerned is analysed.

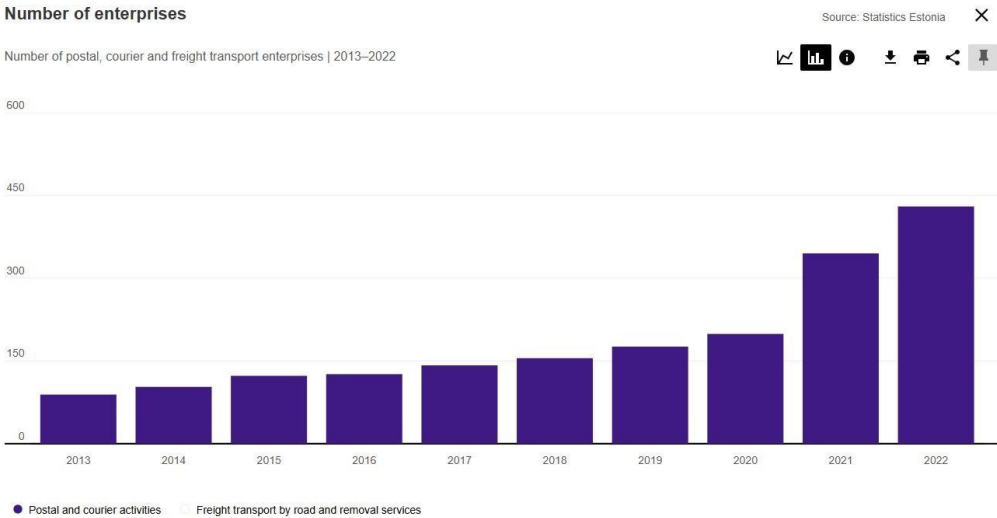
5.1. Please give the reasons why you consider that access to the relevant market is not restricted.

Overview of services provided under the product market for international business parcel service

- (177) The market for domestic standard and express parcel services consists of the same market players as the international parcel service, with addition of [-] (“[-]”) and [-] (“[-]”).
- (178) **[-] is primarily a transport logistics company, offering mainly services related to road and air transport.**
- (179) **[-] offers international express courier and supply chain solutions with main production conferences being international industries and companies. A large part of [-]'s turnover comes from the export of services outside Estonia.**

(180) The applicant explains that overall, the domestic standard and express parcel service market has shown growth, thereby creating an incentive for new players to enter and existing players invest into their business. In overall, the concentration of the market can be described as having several strong players, such as Eesti Post, [-] and [-] as well as several smaller undertakings.

(181) In response to question 13 (a) and (b) of the European Commission’s RFI dated October 24, 2024, the Estonian market for standard and express parcel services is highly competitive, with numerous providers active in different segments. The exact number of competitors can vary depending on the data source and the criteria used. According to the Estonian Statistical Office, there were 430 enterprises in 2022 whose primary activities included postal and courier services, such as the collection, transport, and delivery of letters, parcels, and other items. This includes a broad range of providers, from local regional players to larger national and international companies, not all of which may be active in the market:



[-] data for 2023 indicates that 74 companies were involved in providing postal, parcel, and courier services in Estonia, reflecting the fragmented nature of the market. The Estonian Competition Authority’s annual report for 2023 identifies 59 registered postal service providers in Estonia. Among these, 48 companies are listed in the Register of Economic Activity as registered courier service providers, offering a range of services, including both national and international parcel delivery, as well as express and standard options. However, only 21 of these providers were actively delivering courier services as of the end of 2023. These active courier service providers include: [-], AS Eesti Post, [-], [-], AS [-], [-], [-], [-] OÜ, [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], and [-]. These data sources confirm that the market for standard and express parcel services in Estonia is characterized by a significant number of active competitors, indicating a diverse competitive landscape where Eesti Post does not hold significant market power compared to the many other players operating in the market.

(182) One notable competitor is [-], who has previously been active primarily on the express parcel segment but has recently also entered into the standard parcel services segment and to the extent that the applicant is aware plans to take further investments for rapid expansion. Considering that the only market segment, where the applicant has an estimated market presence of above [-] is standard parcel service, the aggressive entry of a new competitor ([-], [-]) as well as the presence of strong competitors ([-], [-]), is a strong indication that despite the market presence of above [-], the market is open to competition and new undertakings can enter the segment.

(183) [-] The applicant notes that new entrants have recently expanded their presence in the market, including through the development of parcel machine networks across Estonia and the Baltic region. This indicates that market entry and expansion remain feasible.³⁷

(184) Thus, in summary the applicant considers that access to the relevant market for domestic and standard express parcel services is not restricted.

5.2. For each relevant market, for each of the last three financial years⁽¹⁵⁾, and for each of the following territories:

- (a) the EEA territory;
- (b) the EU as a whole;
- (c) the territory of the EFTA States as a whole;
- (d) each Member State and each EFTA State where the applicant carries out an activity; and
- (e) the relevant geographical market⁽¹⁶⁾, if the applicant considers that this market is different

Please provide the information referred to in points 5.2.1 to 5.2.9

5.2.1. an estimate of the total size of the market in terms of sales value (in Euro) and volume (units)⁽¹⁷⁾, indicating the basis for the calculations and sources used and providing documents, where available, to confirm these calculations;

5.2.2. the sales in value and volume, as well as an estimate of the market share held by the applicant;

5.2.3. an estimate of the market share in value (and, where appropriate, volume) of all competitors (including importers) having at least [-] of the geographical market under consideration. Provide documents, where available, to confirm the calculation of these market shares and provide the name, address, telephone number, fax number and appropriate contact person, of these competitors;

(185) As noted under section 1.1.3 of this exemption request, standard parcel services are composed of services using a parcel machine for final delivery and express services as services using courier services for final delivery. Eesti Post is active in both potential segments, however notes that while some differences exist between standard and express services, this distinction is small

and is decreasing over time, the key factors include as stated in response to question 4 of the European Commission's RFI dated October 24, 2024:³⁸

- (a) **Market Trends:** The increasing preference for parcel machines among consumers suggests that the operational and cost differences between standard and express services are diminishing. For example, some market participants previously only active in express parcel services (e.g. Veinpak) have started to also enter the standard parcel services market.
- (b) **New entrants:** The entry of new market participants that offer both types of services indicates a trend towards businesses providing a more unified service.
- (c) **Consumer Expectations:** As customers place a higher value on speed and convenience, strict classifications based on delivery speed becomes less relevant. Previously, the main

³⁷ Webpage of OÜ Udrop EE ("Udrop"): <https://udrop.ee/en/>

³⁸ Regarding the argument that the differences between standard and express services are small and diminishing, please refer to the applicant's response to question 4 of the European Commission's RFI dated October 24, 2024.

⁶¹ See <https://bolt.eu/en/cities/tallinn/> for more information.

distinction between standard and express services was their speed, however, this boundary has now blurred in Estonia as the delivery times for both standard and express services are similar.

According to the applicant, both demand-side and supply-side factors support the argument that the traditional distinctions between standard and express services are becoming less significant in the Estonian market context. Consequently, leaving the final product market definition open is justified.

- (186) Further and for clarity, to some extent, express services by Eesti Post have been provided either directly or recently also in cooperation with delivery platform providers (in particular Bolt61 or [-]) over recent years, as part of a pilot project, where the final delivery of the parcel is left to independent service providers operating under the platform provided by [-] or [-]. The standard services have been provided through parcel machines, located in population centers, in particular close to or inside shopping malls, shops or similar facilities. ³⁹
- (187) In response to question 14 (a) of the European Commission's RFI dated October 24, 2024 regarding the differences between standard and express delivery services, the applicant further reiterates that the delivery method is one of the key differences between standard and express delivery services. Standard parcel services typically use parcel machines for final delivery, whereas express services rely on courier services. However, this difference is becoming less noticeable over time, as many consumers in Estonia prefer the convenience of parcel machines, leading some providers previously focused solely on express services to also enter the standard services market. Additionally, both delivery methods can achieve similar timeframes, such as same-day or next-day delivery, effectively making the quality of service more comparable from the customer's perspective. Furthermore, customers often see these services as interchangeable, with many opting for delivery to parcel machines instead of direct courier service, particularly when convenience is a factor.
- (188) As noted also in the context for the market for international parcel services, parcel machines are highly popular in Estonia (as well as the Baltics), since they allow for non-contact delivery and flexibility regarding when the parcel arrives at the customer. Depending on where the parcel is handed over to Eesti Post, either same day or T+1 delivery is possible both via courier as well as via parcel machines. This means that there is essentially no difference in the quality of parcel

service and express service for the end-customer (in both the B2X and C2X business segments), and the customer receives the parcel in a relatively similar timeframe. In response to question 15 (b) of the European Commission's RFI dated October 24, 2024, the applicant clarifies that internal data from Eesti Post, as illustrated in the attached chart, below, shows that the majority of parcels in Estonia, Latvia, and Lithuania are delivered within the same timeframe, typically on the same or first day after dispatch. Specifically, when using parcel machines, approximately [-] of packages are delivered the same or next day in Estonia. In contrast, for courier services, the percentage of the same or next-day deliveries is about [-] lower. While it is traditionally understood that express services (i.e. courier services) are faster and more reliable than standard parcel services (i.e. parcel machine services), Eesti Post's data suggests that, in practice, the delivery performance of express and standard services is more comparable than commonly perceived. Specifically,

³⁹ In response to question 14 (b), (c) and (d) of the European Commission's RFI dated October 24, 2024, the applicant notes that the pilot project between Eesti Post and Wolt was a short-lived pilot test, rather than a formalized agreement or strategic cooperation. The test was not a continuation, and it was not designed to be a long-term partnership.

Eesti Post's internal data reveals that parcel machines demonstrate higher reliability and efficiency compared to couriers.⁴⁰

For further clarification, regarding the B2X and C2X segments, Eesti Post does not possess specific data that differentiates the delivery speeds between these two segments. However, the underlying infrastructure supporting both B2X and C2X services in Estonia is largely identical. Both segments rely predominantly on the same network of parcel machines. Consequently, parcels in both the B2X and C2X segments are delivered to similar collection points (i.e., parcel machines), and the delivery timelines are generally aligned. In the light of the above, while express services may traditionally be viewed as faster than standard services, Eesti Post's internal data suggests that delivery times are generally comparable. Similarly, the infrastructure and operational processes supporting both B2X and C2X deliveries result in similar delivery timeframes for customers in both segments. Accordingly, the applicant believes that the

Commission's previous practice of distinguishing between standard and express services is not applicable in Estonia. Specifically, the factors the Commission has relied upon to differentiate between these services – mainly that express services are generally faster and more reliable than standard services – are not relevant in the context of the points raised above. Therefore, it is not possible to draw the same conclusions for Estonia based on the Commission's past approach.

- (189) In light of the above, customers consider the services as alternatives and interchangeable, and it is common that courier services are diverted in favour of delivery to parcel machines by request of the final customer (where this is possible). This can happen most often when it is inconvenient for the customer to receive the parcel directly from the courier. Moreover, in practice, courier services in Estonia are provided in a manner that it is not possible for the addressee to choose the exact time at which the addressee can receive the parcel, for example at the addressee's home or office. In practice, this means that if the courier fails to deliver the package to the addressee at certain time, the courier offers the possibility to deliver the parcel to the nearest parcel machine for the addressee, which further demonstrates that in terms of quality of content, parcel service and express service are interchangeable for the consumer.
- (190) Furthermore, in response to question 15 (c) of the European Commission's RFI dated October 24, 2024, regarding the differences in the infrastructure for the different stages of the delivery chain for C2X and B2X, the applicant explains that the infrastructure for C2X and B2X parcel delivery services is largely the same in Estonia. Both segments primarily use parcel machines for deliveries, with [-] of C2C deliveries and [-] of B2B deliveries being directly handled by couriers. Parcels are centrally sorted and share the same linehaul network for transportation, meaning there is no significant infrastructure difference between C2X and B2X in terms of delivery handling. The main difference arises in B2B services, where goods are often directed to parcel machines, though they still use the same core infrastructure. Unlike B2C, B2B logistics are primarily managed by courier services and involve the transportation of heavier and bulkier items. Regarding the collection flow, there is a slight difference in how parcels are collected for the two segments. For C2X deliveries, most parcels are collected from parcel machines, which are accessible to private customers, while B2X collections typically involve couriers or direct injection of parcels into sorting facilities. However, it is important to note that the resources involved in the

⁴⁰ In response to question 15 (a) of the Commission's RFI dated October 24, 2024, please note that when referring to "parcel service," the applicant is discussing standard parcel delivery services. The statement highlights that both standard and express delivery options offer comparable quality and delivery times for the end-customer. In the context of the Estonian market, both services can provide same-day or next-day delivery, leading to a similar experience for customers in both B2X and C2X segments.

collection process are not separated, the same couriers generally handle both C2X and B2X collections. Couriers may collect parcels from parcel machines for C2X customers or directly from business customers for B2X services, further highlighting the lack of distinct infrastructure for these segments. Overall, while there are minor differences in service processes, the infrastructure supporting parcel delivery for both C2X and B2X segments is largely the same, relying on the same sorting facilities, linehubs, and couriers, with distinctions mainly arising from the type of collection method used (parcel machines for C2X vs. couriers/direct injection for B2X). Therefore, the applicant believes that the infrastructure used to serve these segments does not support the view that they must be considered distinct in terms of the delivery network.

- (191) Since the market for domestic parcel services is national in scope, as explained under recitals (64) – (65) above, the size of the market as defined by EEA territory or EU as a whole is not relevant for the assessment of direct exposure to competition. Consequently, the applicant requests the Commission to waive the requirement stipulated under section 5 points (a) – (c) to provide data for the relevant market for each of the last three financial years.
- (192) In respect to section 5.2 points (d) – (e), the applicant notes the product market should be considered national in scope and the services are not provided in any EFTA state.
- (193) For ease of data interpretation, the applicant has provided information requested under points 5.2–1 - 5.2.3 in a single table, segmenting the information based on value and volume.
- (194) The applicant has provided market data for the total market for domestic parcel services in tables 9 – 22, along with a potential segmentation based on express and standard parcels services.
- (195) In respect to the market data, the applicant notes that public data is not fully available, thus the applicant notes that the market data is the best estimate of the applicant and may not reflect actual market shares.
- (196) For estimating the market share based on value, the applicant has access to its own internal data and has provided estimates for the market shares of its competitors. The market share of its competitors has been derived from their annual reports.
- (197) For the calculation of domestic parcel services in terms of volume (Table 12), Eesti Post only has access to its own volume data. For the purpose of calculating the assumed share of other competitors' volumes, it is assumed that the market share of the competitors is the same as their market share in terms of value. This approach is also supported by the fact that the price levels of the competitors are relatively similar. In this way, the total assumed market volume has also been derived.
- (198) In respect to the split between express and standard parcel services, the applicant has available the internal data from Eesti Post. In respect to the market shares of competitors of Eesti Post, the applicant has provided data based on its best estimates, taking into account the business model and focus of each particular competitors. E.g. it is estimated that [-] has a similar split to Eesti Post between standard and express parcel services, due to its ownership relation to the Finnish incumbent postal operator. In respect to other competitors, such as [-] (also [-], who is currently not covered in the market data, due to lack of any reliable market data), due to a stronger international influence, there has been a stronger preference for express parcel services, which is reflected in their market shares as well.
- (199) Lastly, the market data included both domestic and inbound statistics. It does not include revenue or value estimates for outgoing parcels, since such parcels are part of the market for international parcel services (see Section 5A of this application).
- (200) For clarity, the market data below is for the following segmentations:
 - (a) Total market combining standard and express services (tables 9-10);
 - (b) Standard parcel services (tables 11-12);

| | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) | Volume (units) | Value (EUR) |
|-----|-------------|------------------|-------------|------------------|----------------|-------------|
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 12 Standard parcel services (volume)

| | 2021 | | 2022 | | 2023 | |
|-----|----------------|------------------|----------------|------------------|----------------|----------------|
| | Volume (units) | Market share (%) | Volume (units) | Market share (%) | Volume (units) | Volume (units) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 13 Standard parcel services B2X (value)

| | 2021 | | 2022 | | 2023 | |
|-----|-------------|------------------|-------------|------------------|----------------|-------------|
| | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) | Volume (units) | Value (EUR) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 14 Standard parcel services B2X (volume)

| | 2021 | | 2022 | | 2023 | |
|-----|----------------|------------------|----------------|------------------|----------------|----------------|
| | Volume (units) | Market share (%) | Volume (units) | Market share (%) | Volume (units) | Volume (units) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

| | | | | | | |
|-----|-----|-----|-----|-----|-----|-----|
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 18 Express parcel services (volume)

| | 2021 | | 2022 | | 2023 | |
|-----|----------------|------------------|----------------|------------------|----------------|----------------|
| | Volume (units) | Market share (%) | Volume (units) | Market share (%) | Volume (units) | Volume (units) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 19 Express parcel services B2X (value)

| | 2021 | | 2022 | | 2023 | |
|-----|-------------|------------------|-------------|------------------|----------------|-------------|
| | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) | Volume (units) | Value (EUR) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 20 Express parcel services B2X (volume)

| | 2021 | | 2022 | | 2023 | |
|-----|----------------|------------------|----------------|------------------|----------------|----------------|
| | Volume (units) | Market share (%) | Volume (units) | Market share (%) | Volume (units) | Volume (units) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 21 Express parcel services C2X (value)

| | 2021 | | 2022 | | 2023 | |
|-----|-------------|------------------|-------------|------------------|----------------|-------------|
| | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) | Volume (units) | Value (EUR) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

Table 22 Express parcel services C2X (volume)

| | 2021 | | 2022 | | 2023 | |
|-----|----------------|------------------|----------------|------------------|----------------|----------------|
| | Volume (units) | Market share (%) | Volume (units) | Market share (%) | Volume (units) | Volume (units) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |

- (201) In respect to the overall market for standard and express parcels, the market overall has been increasing due to the increasing popularity of e-commerce. This increase is also reflected in the increase in the value and volume offered by most market participants, apart from Eesti Post. In contrast to the market, the market share of Eesti Post has been decreasing in terms of both volume and value, with the decrease being more significant in terms of volumes.
- (202) This is partially due to Eesti Post having an increase regulatory burden (it is subject to public tender rules), which limits its ability to adopt to market changes. While Eesti Post remains the largest market participant by [-] (in terms of standard and express services taken together, see Table 9 and Table 10), there are several other market participants able to operate on the market profitably. Two of them ([-] and [-]) having very close market shares to Eesti Post, however there are also number of other competitors on the market of courier or express parcel services as outlined in recital 181. This indicates that while there may be some scale advantages, these are not significant enough to act as barriers to entry to the market and smaller competitors can be as efficient as smaller market players. In response to question 16 of the European Commission's RFI dated October 24, 2024, the "scale advantages" Eesti Post refers to primarily involve factors such as economies of scale in operations, purchasing power, and limited brand recognition that companies like Eesti Post may benefit from. For example, companies like Eesti Post can often spread costs over a larger volume of services, leading to lower average costs per unit. This includes costs associated with e.g. logistics, transportation, and infrastructure. These market players may also negotiate better terms with suppliers due to their higher purchasing volumes. However, despite these advantages, the presence of numerous smaller competitors demonstrates that they can operate efficiently and profitably without being significantly affected by the scale advantages of these players. The latter means that barriers to entry are relatively low, enabling smaller firms to also succeed.
- (203) Overall, the applicant notes that the market is highly competitive with no particular competitor having a strong market presence.
- (204) In respect to a segmentation into express and standard parcel services, while the main market participants are present on both segments and historically there has been market participants that focused only on the express services market (due to not requiring a parcel machine network), this trend is changing, with at least one aggressive entry from the express parcel services to standard parcels services by [-]. This means that the segmentation between express and standard parcels, while it may have been relevant in the past, may no longer be relevant currently, at least for the purposes of assessing whether the markets are open to competition. In any case, the entry and rapid expansion of [-] clearly indicates that the market is open to competition.
- (205) [-] The applicant notes that certain operators have announced plans to expand their activities in Estonia. This further supports the conclusion that the market remains open to entry and expansion

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⁴¹ Announcement is available here: <https://www.aripaev.ee/uudised/2023/09/20/leedu-post-murrab-eestis><https://www.aripaev.ee/uudised/2023/09/20/leedu-post-murrab-eestis-pakiautomaatide-turule>. The article may be behind a paywall, however we are able to provide a google translated PDF of the article if necessary.

⁴² In response to question 17 of the European Commission's RFI dated October 24, 2024, to the best of Eesti Post's knowledge, Latvijas Pasts and Lietuvos Paštas have announced their intention to enter the Estonian market with a focus on standard parcel delivery services in 2024. However, we do not have full visibility on their complete strategic plans at this stage. What we can confirm is that both postal operators have already made significant moves to establish themselves in the standard parcel delivery segment in Estonia in 2024.

- (206) [-] The applicant notes that it operates under competitive pressure in the domestic parcel delivery market. Market dynamics demonstrate that competitors are able to attract customers and expand their position, reflecting effective competition.
- (207) In respect to express parcel services, due to historic reasons, there are more market participants on this segment. However, all major competitors are also present both segments, thus for the purposes of assessing whether the market is open to competition, it can be left open whether there is a need to segment the market further into express and standard parcel services. In any case, there are several equal competitors on the express parcel services market, indicating that the market is open to competition.
- (208) Lastly, in relation to a potential segment between C2X and B2X, since the majority of business volumes are connected to B2X, assessing the market based only on the C2X segment does not correctly reflect the market share of the market players, since it would not be viable to stay on the market only in relation to C2X. That said, since there is little, if no customer loyalty between

different market participants (either in respect to standard or express parcel services), customers can easily switch from one supplier to another, should the quality of services or prices become uncompetitive.

- (209) The contact details of the competitors are provided below:

| Competitor | Contact info |
|-------------------|---------------------|
| [-] | [-] |
| [-] | [-] |
| [-] | [-] |
| [-] | [-] |
| [-] | [-] |

5.2.4. an estimate of the total value, volume and source of imports from outside the EEA territory and identify:

- (a) the share of such imports attributable to the applicant;
- (b) an estimate of the extent to which any quotas, tariffs and non-tariff barriers to trade constitute barriers to these imports; and

(c) an estimate of the extent to which transportation and other costs affect these imports.

(210) The applicant explains that the provision of postal services requires the presence of a local postal network, which in turn requires local presence for market players. Consequently, the applicant notes that the share of imports from outside the EEA territory is not relevant for assessing the direct exposure to competition for the provision of postal services.

5.2.5. the extent to which trade between States within the territory of the EEA is hindered by:

(a) transportation and other costs; and (b) other non-tariff barriers to trade.

(211) The applicant explains that due to the national geographic market, trade between EU or EEA States is not relevant for the current product market assessment.

5.2.6. the manner in which the applicant produces and sells the products or services; for example, whether they are manufactured locally, or are sold through local distribution networks;

(212) The applicant explains that the provision of express parcel services can either be initiated by a customer using a self-service option (either online or through a digital interface of a parcel machine), or by an entity active in e-commerce requesting the service, generally based on a framework agreement or simply based on general terms and conditions of a particular postal operator.

(213) The applicant notes in this context that some e-commerce platforms do have integration which combines the payment solution used for the platform with a delivery option. While previously, Eesti Post benefited from such integration due to a group entity providing payment solutions integration for e-commerce platforms ([-]), that entity has since been sold and Eesti Post no longer has control over the entity.

5.2.7. a comparison of the applicant's and its competitors' price levels in each Member State and EFTA State and a similar comparison of price levels between the EU, the EFTA States and other areas where these products are produced (for example, Eastern Europe, the United States of America, Japan, or any other relevant area);

(214) The applicant notes that the price points of Eesti Post and its main competitors are highly comparable, with very minor differences between the services. This is because the customers are generally highly price sensitive and brand loyalty or customer preference for one postal service provider vs another is minimal, if present at all. One potential exception to this is [-], owned by the Finnish incumbent postal entity, where Finnish nationals or customers with a strong connection to Finland have a preference for services provided by [-]. No such preference is apparent for Eesti Post.

5.2.8. the nature and extent of the vertical integration of the applicant compared with the largest competitors;

(215) Eesti Post notes that vertical integration is limited, if present at all.

5.2.9. information on the cost structure of the applicant⁽¹⁸⁾. Also, specify any assets or infrastructure used jointly with other entities or used to carry out more than one activity covered by Directive 2014/25/EU. Where the use of such assets or infrastructures is subject to special conditions, such as universal service obligations or special rights, please specify.

(216) The applicant notes that the assets and infrastructure used for the provision of domestic postal services is made up predominantly by:

- (a) parcel machines;
- (b) post offices;
- (c) distribution centres;

- (d) sorting line and related equipment;
- (e) commercial vans and truck;
- (f) domestic transport;
- (g) frontline workwear;
- (h) office;
- (i) IT: Core system (infa, ERP, CRM, DWH);
- (j) IT: Parcel related;
- (k) software licences to operate the self-service and online interfaces; (l) software to operate the logistics.

(217) Out of the above, the distribution centres and sorting lines are also used for all other services covered by Directive 2014/25/EU.

(218) Parcel machines and software is used in order to provide international and domestic parcel services and international letters, since parcels can currently be sent cross border within the Baltics, similarly on how domestic parcels are sent by customers.

5.3. Please provide the following information:

5.3.1. Over the last five years, has there been any significant entry to the geographical market(s) for the relevant products ⁽¹⁹⁾? If the answer is 'yes', where possible provide the name, address, telephone number and fax number of the undertaking concerned, as well as the appropriate contact person, and an estimate of their current market share.

(219) The applicant is not aware any significant entry over the last five years. Nevertheless, [-] and [-] has expanded very strongly in the market, with its market share increasing both in terms of value and volume during the last 3 years.

(220) [-] has also opened up 76 parcel machines in 2023, however to the extent that the applicant is aware, [-] remains primarily focused on courier services.

(221) To the extent that the applicant is aware, both the Latvian and Lithuanian state-owned postal operators have announced their plan to enter the market in Estonia in 2024.

5.3.2. In the opinion of the applicant are there any undertakings (including those at present operating only in markets outside the EU or outside the EEA) that could enter the market? If the answer is 'yes', please explain why and identify such undertakings by name, address, telephone number, fax number and appropriate contact person, and give an estimate of the time within which such market entry is likely to occur.

(222) The applicant is not aware of any undertakings form outside the EEA that have made preparation or intend to enter the Estonian market.

5.3.3. Describe the various factors influencing entry into the relevant markets in this case, from both a geographical and product viewpoint. In so doing, take account of the following, where appropriate:

- (a) the total costs of entry (research and development, distribution systems necessary, promotions, advertising, after-sales service, etc.) on an equivalent scale to that of a significant viable competitor, indicating the market share of a such competitor;

(223) [-] The applicant notes that entry into the market requires investment in logistics infrastructure and operational capabilities.

(224) [-] Such inputs, including delivery networks and IT systems, are widely available on the market and can be sourced from third parties.

(225) [-] The applicant further notes that Estonia's size and infrastructure facilitate relatively efficient establishment of operations.

(226) [-] Overall, the applicant considers that entry into the market is feasible within a reasonable timeframe and does not require access to exclusive resources or specialised know-how.
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(c) the share of such imports attributable to the applicant;

(227) The applicant is not aware of any legal, regulatory or other similar barriers to entry.

66 [-]

(d) any restrictions created by the existence of patents, know-how and other intellectual property rights in these markets and any restrictions created by the licensing of such rights;

(228) The applicant notes that generally, no barriers to entry result from the existence of patents, knowhow and other intellectual rights. Further, while some licenses are generally required for administrative tasks such as accounting, as well as for operating the customer interfaces of the parcel machines, such licenses are freely available and can easily be acquired from the market.

(e) the extent to which the applicant is a licensee or licensor of patents, know-how and other rights in the relevant market;

(229) Eesti Post is not a licensor of any critical patents, know-how or other rights related to market entry. While Eesti Post is a licensee of a number of software licenses (administrative programs, e.g. MS word etc.), such licenses should not be considered as a barrier to entry.

(f) the importance of economies of scale for the production of products in the relevant markets;

(230) The applicant notes that due to the strong reliance on parcel machine networks, the running costs are predominantly fixed, allowing benefits from economies of scale. That said, the applicant notes that all the major market players have sufficient volume in order to benefit from the economies of scale, thus no competitive advantage arises in respect to closeness of competition between the main market players.

(231) Economies of scale are even less present in the express parcel services market, where parcel machine networks are not required. That said, the current market trend is that costumers expect delivery companies that offer express parcel services to also offer standard parcel services.

(232) All in all, and as stated in response to Question 3 of the European Commission's RFI dated October 24, 2024, while larger companies can take advantage of economies of scale to reduce costs, Estonia's relatively small size means that the market is not large enough to create the same kind of massive operational barriers that may exist in larger countries.

(g) access to sources of supply, such as availability and raw materials.

⁴³ <https://optimoroute.com/>

⁴⁴ <https://www.routific.com/v3-pricing>

⁴⁵ <https://www.loginextsolutions.com/company/aboutus>

⁴⁶ <https://route4me.com/>

⁴⁷ https://shipsy.io/first-mile-pickup/?utm_source=chatgpt.com

⁴⁸ <https://fareye.com/products/route-planning-software>

⁴⁹ <https://www.descartes.com/home>

(233) The applicant notes that access to sources of supply is freely available.

RESEARCH AND DEVELOPMENT

5.3.4 Give an account of the importance of research and development in the ability of an undertaking operating in the relevant market(s) to compete in the long term. Explain the nature of the research and development carried out by the applicant in the relevant markets.

In so doing, take account of the following, where appropriate:

(a) trends and intensity of research and development⁽²⁰⁾ in these markets and for the applicant;

(234) The applicant notes that research and development is of limited importance when it comes to the provision of express parcel services. The services may be impacted by developments in connected sectors, such as transport, IT, however the postal sector itself is rather in the role of an adopting entity.

(b) technological developments in these markets over an appropriate time period (in particular developments in products and/or services, production processes, distribution systems, and so on);

(235) The applicant notes that express parcel services have seen limited change in the core of the service in recent years, however there is some indication of this trend shifting. One notable example is the entry into the market by platforms, which generally provided food delivery from restaurants, such as [-] and [-]. Rather than express delivery of parcels within 24 hours, the platform providers are able to deliver goods to the customer within an hour of the purchase from a store. That said, this is feasible mostly in large population centres, due to the closeness between the outlet of the store and generally limited to smaller parcels, due to delivery taking place by hand.⁵⁰⁵¹

(c) the major innovations that have been made in these markets and the undertakings responsible for these innovations;

(236) The applicant is not aware of any major innovations that have been made in respect to express parcel services.

(d) the cycle of innovation in these markets and where the parties are in this cycle of innovation.

(237) The applicant notes that the market can be considered mature, with potential developments being evolutionary, rather than revolutionary. That said, should major developments take place in other sectors, such as transport, it cannot be excluded that a revolutionary evolution would take place, which would replace the express parcel services as they are currently provided.

COOPERATION AGREEMENTS

5.3.5 To what extent do cooperation agreements (horizontal or vertical) exist in the relevant markets?

5.3.4 Give details of the most important cooperation agreements concluded by the applicant in the relevant markets, such as research and development, licensing, joint production, specialisation, distribution, long term supply and exchange of information agreements.

⁵⁰ Webpage of Bolt: <https://bolt.eu/en/cities/tallinn/>

⁵¹ Webpage of Wolt: <https://wolt.com/en/est>

(238) The applicant notes that the important cooperation agreements relate only to the development of the logistics IT infrastructure. Outside of that, the applicant is not aware of any major cooperation agreements.

(239) That said and as noted earlier, cooperation agreements are possible in order to combine delivery services with other ancillary services, such as payment provision services for a more seamless experience for the final customer. The services themselves would nevertheless be provided separately.

6. Section 6 — Exposure to competition

Certain points may not be relevant for some activities or the factual situation of a given applicant — in such cases, please indicate so point by point.

The applicant may limit itself to giving a precise reference point by point to the relevant part(s) of a reasoned and substantiated position as referred to in Article 35 of Directive 2014/25/EU, adopted by an independent national authority that is competent in relation to the activity concerned, in which the point concerned is analysed.

According to Article 34(2) of Directive 2014/25/EU, the question of whether an activity is directly exposed to competition must be decided on the basis of criteria that are in conformity with provisions on competition of the TFEU, such as the characteristics of the goods or services concerned, the existence of alternative goods or services, the prices, and the actual or potential presence of more than one supplier of the goods or services in question.

6.1. Explain why you consider that the activity covered by this request is fully exposed to competition in the relevant product market on the relevant geographical market(s). In particular, give the following information:

(240) The applicant believes that express parcel services and standard parcel services should not be segmented into separate markets, due to a strong overlap between market participants and expectations by customers that players are present in both segments. In any case, the applicant believes that the Commission can leave the final product market definition open, since the services would be open to competition even if the markets for express parcel services and standard parcel services are considered separately.

GENERAL CONDITIONS ON THE RELEVANT MARKET

6.1.1. Identify the five largest independent suppliers⁽²¹⁾ to the applicant and their individual shares of the applicant's purchases (of raw materials or goods used to produce the relevant products). Provide the name, address, telephone number, fax number and appropriate contact person, of these suppliers.

(241) The applicant explains that the main supplies required by Eesti Post are related to the parcel machine networks, in particular, the parcel machines themselves as well as IT and related items.

(242) The five largest suppliers of the applicant in relation to express parcel services are:

| Number of suppliers | Supply sourced from the supplier | Share of supplier from the applicant's purchases (%) | Contact information |
|---------------------|----------------------------------|--|---------------------|
|---------------------|----------------------------------|--|---------------------|

| | | | |
|-----|-------------------|-----|-----|
| [-] | Courier services | [-] | [-] |
| [-] | Transport | [-] | [-] |
| [-] | Parcel machines | [-] | [-] |
| [-] | Transport | [-] | [-] |
| [-] | Courier services | [-] | [-] |
| [-] | SMS notifications | [-] | [-] |

Please also identify the undertakings affiliated to the applicant and their individual shares of the applicant's purchases (of raw materials or goods used to produce the relevant products). Provide the name, address, telephone number, fax number and appropriate contact person, of these undertakings

(243) Eesti Post does not source any input from undertakings affiliated to Eesti Post.

STRUCTURE OF SUPPLY IN THE RELEVANT MARKETS

6.1.2. Describe the distribution channels and after-sales service networks that exist in the relevant markets. In doing so, take account of the following, where appropriate:

(244) The applicant explains sales are generally not dependent on particular distribution channels. In particular, customers are able to order the services online or through the electronic interfaces present at parcel machines.

(245) If the parcel originates from an online store, the postal service is added as an ancillary service to the online store and the choice of postal service (e.g. courier or parcel machine) is taken by the end customer of the online store through the website of the online store.

(246) With respect to the market participants, numerically, the majority of market participants do not have parcel machine networks, however the main market players have either started their investments into parcel machine networks or are on their way to doing so.

(a) the existing distribution systems and their importance in these markets. To what extent is distribution performed by third parties or by undertakings affiliated to the applicant?

(247) The applicant explains that in respect to courier networks, some market participants prefer to outsource the final delivery while some market participants provide the service themselves. There are also market participants (such as Eesti Post) who prefer a hybrid solution, outsourcing the delivery in some narrower geographic locations, and providing the service itself in others.

(b) the existing after-sales service networks (for example, maintenance and repair) and their importance in these markets. To what extent are these services performed by third parties or by undertakings affiliated to the applicant?

(248) The applicant explains that after-sales services are generally provided through customer service and is generally provided by the postal undertakings themselves. The importance of after-sales services is however of limited importance and has relevance mostly if problems arise with the delivery itself.

6.1.3. Where appropriate, provide an estimate of the total EU-wide and EFTA-wide capacity for the last three years. During this period, what was the capacity of the applicant and what was the rate of its capacity utilisation?

(249) The total EU-wide or EFTA-wide capacity for the last three years is not relevant for domestic express parcel services.

6.1.4. Please indicate any other supply-side consideration you consider to be relevant.

(250) The applicant has no further considerations.

STRUCTURE OF DEMAND IN THE RELEVANT MARKETS

6.1.5. Identify the five largest independent customers of the applicant in the relevant market and their individual shares of total sales of the relevant products by the applicant. Provide the name, address, telephone number, fax number and appropriate contact person, of each of these customers.

(251) The applicant explains that on one hand there are a significant number of individual customers i.e. private persons ordering services. However, there are also a few larger customers for Eesti Post in Estonia. The largest customer makes up [-] of the revenue of Eesti Post in Estonia.

(252) The five largest clients of Eesti Post are the following:

| Name of customer | Share of total sales of Eesti Post (%) | Contact information |
|------------------|--|---------------------|
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| [-] | [-] | [-] |

6.1.6. Explain the structure of demand in terms of:

- (a) the different phases of the markets, for example, take-off, expansion, maturity and decline, and a forecast of the growth rate of demand;

(253) The applicant believes that the market is expanding due to the global trend in favour of online shopping. The growth of the market acts as an incentive for new competitors to enter the market, providing new types of services. One example of such entry is by food delivery platforms, which have diversified to also provide delivery of goods from online stores. In principle, such platform

can also be used for customer-to-customer transport, however due to increased costs as compared to the services offered by postal companies, this is not yet widespread.

(254) As a result of innovation in particular in autonomous transportation, such alternative services to traditional express parcel services could lead to significant competitive pressure in the long term. In cities, such competitive pressure is already present (currently still at a relatively limited extend) via a company called Starship⁵² in Estonia, which provides autonomous robots that partner with stores and restaurants to offer local delivery services.

(b) the importance of customer preferences, in terms of brand loyalty, product differentiation and the provision of a full range of products;

(255) In terms of business segments within express parcel services, customer preference varies with some preferring parcel machines over courier services and some preferring courier services over parcel machines. In terms of brand loyalty, the applicant notes that brand loyalty is limited if present at all on a general level. The only exception being perhaps one of the main competitors of Eesti Post, i.e. [-] (a subsidiary of the Finnish incumbent postal undertaking), that seems to be the preferred postal service provider for customers with a Finnish connection.

(256) In terms of product differentiation and the provision of full range of products, all main competitors on the market have parcel machine networks or have started investing in such networks.

(c) the degree of concentration or dispersion of demand;

(257) The applicant notes that the degree of dispersion of demand is high, due to the clients being mostly private customers.

(d) the segmentation of customers into different groups with a description of the 'typical customer' of each group;

(258) The applicant explains that in general, costumers can be segmented into private customers and businesses, however to the extent that it is aware, there are no appreciable differences on how services are provided to those two customers groups.

(259) One notable exception is that business customers are able to send several parcels through a single parcel machine box at a time, whereas private customers need to send the parcels one by one. For clarity, while a typical business costumers is more likely to send several parcels at a time, there are also private customers that do the same. Thus, the provision of service does not differ between those two customers groups.

(e) the importance of exclusive distribution contracts and other types of long-term contracts;

(260) Exclusivity contracts are generally not present on the market, to the extent that the applicant is aware.

(e) the extent to which contracting authorities, State undertakings or similar bodies are important as a source of demand.

⁵² See for further information <https://www.starship.xyz/business/>

(261) The applicant notes that State undertakings or similar bodies are generally not an important source of demand.

6.1.7. Provide estimates of the degree of consumer activity in terms of switching supplier and renegotiating contracts in the last five years. Also give the sources used for this and, where available, the necessary documents to confirm the estimates.

(262) The applicant explains that the degree at which customers switch suppliers is very high, due to general price sensitivity. Furthermore, most customers use several providers at any time, since switching costs are minimal, if present at all.

6. Section 5C - Printing and packaging services

5. Section 5 — Information concerning the relevant market and access to that market

This section must be completed irrespective of the reply to point 4.1 above.

Certain points may not be relevant for some activities or the factual situation of a given applicant — in such cases, please indicate so point by point.

The applicant may limit itself to giving a precise reference point by point to the relevant part(s) of a reasoned and substantiated position as referred to in Article 35 of Directive 2014/25/EU, adopted by an independent national authority that is competent in relation to the activity concerned, in which the point concerned is analysed.

5.1. Please give the reasons why you consider that access to the relevant market is not restricted.

(263) The applicant notes that the market for printing and packaging in Estonia is divided between three to four main market participants, with the largest one being [-], with a market share estimated at [-]. In contrast, the market share of Eesti Post, the only undertaking subject to public procurement obligation, is estimated at [-].

(264) Irrespective of the market share of the largest market participant, the market remains competitive in part due to a relatively high customer concentration and countervailing buyer power, combined with low switching costs for customers. As a result, the applicant estimates that within the last five years, approximately 40-[-] of the customers in terms of volume have changed suppliers (around ~[-] customers active in the market).

(265) Based on the above, the applicant considers that access to the relevant market for printing and packaging services is not restricted.

5.2. For each relevant market, for each of the last three financial years⁽¹⁵⁾, and for each of the following territories:

- (a) the EEA territory;
- (b) the EU as a whole;
- (c) the territory of the EFTA States as a whole;
- (d) each Member State and each EFTA State where the applicant carries out an activity; and
- (e) the relevant geographical market⁽¹⁶⁾, if the applicant considers that this market is different

Please provide the information referred to in points 5.2.1 to 5.2.9

5.2.1. an estimate of the total size of the market in terms of sales value (in Euro) and volume (units)⁽¹⁷⁾, indicating the basis for the calculations and sources used and providing documents, where available, to confirm these calculations;

5.2.2. the sales in value and volume, as well as an estimate of the market share held by the applicant;

5.2.3. an estimate of the market share in value (and, where appropriate, volume) of all competitors (including importers) having at least [-] of the geographical market under consideration. Provide documents, where available, to confirm the calculation of these market shares and provide the name, address, telephone number, fax number and appropriate contact person, of

these competitors;

(266) The applicant explains that based on the earlier practise of the Commission, the market for printing and packaging services is considered national in scope. Consequently, the size of the market as defined by EEA territory or EU as a whole is not relevant for the assessment of direct exposure to competition. Thus, the applicant requests the Commission to waive the requirement

stipulated under section 5.2 points (a) – (c) to provide data for the relevant market for each of the last three financial years.

- (267) In respect to section 5.2 points (d) – (e), the applicant notes the product market should be considered national in scope and the services are not provided in any EFTA state.
- (268) For ease of data interpretation, the applicant has provided information requested under points 5.2.1 - 5.2.3 in a single table.
- (269) In relation to a segmentation by value and volume, the applicant notes that market data for volume is not available, thus the market shares in terms of volume are the best estimates of the applicant and may not reflect actual market shares. At the same time, Eesti Post states that its market share in terms of volume closely aligns with its market share in terms of value. Due to the lack of more specific volume-related market data, Eesti Post assumes a similar situation for its competitors. Accordingly, Eesti Post makes the assumption that the distribution of market shares in terms of volume among market participants follows a similar pattern.
- (270) The applicant explains that data for the total marked in terms of value is based on the best knowledge and the distribution of customers of Eesti Post.
- (271) The market share of the applicant has been calculated based on the internal data of the applicant. With regard to the data of its main competitors, the applicant notes that these are derived based on the best understanding of the applicant and thus may not reflect actual market shares. The applicant explains that providing volume-based market share allocations between Eesti Post and its competitors proves unfeasible due to the divergent composition of sub-service segments within the printing services of various undertakings. For example, some competitors sell the printing service as a 'printing solution' package and integrate several different services (printing, wrapping, printing, double-sided printing if necessary, etc.), while others sell it as a separate service. **Table 23**⁵³

| | 2020 | | 2021 | | 2022 | |
|--------------------------------------|-------------|------------------|-------------|------------------|-------------|------------------|
| | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) | Value (EUR) | Market share (%) |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| [-] | [-] | [-] | [-] | [-] | [-] | [-] |
| <i>Captive provision of services</i> | [-] | [-] | [-] | [-] | [-] | [-] |
| Total | [-] | [-] | [-] | [-] | [-] | [-] |

- (272) The applicant notes that the market is categorized by three main services providers, with the largest one being [-], followed by Eesti Post and thirdly [-]. The applicant notes however that Eesti Post is subject to ever increasing competitive pressure arising from both

⁵³ In response to Question 18 of the Commission's RFI dated October 24, 2024, the applicant explains that Eesti Post's market shares have not increased in 2023 as Eesti Post intends to exit the market. More specifically, as part of Eesti Post's long-term strategic plan, Eesti Post is planning to phase out our Printing service by the end of 2025 or early 2026. Due to this planned closure, Eesti Post does not foresee any significant investments in this area moving forward.

[] and [], due to the inability to quickly adjust to market changes. The

applicant's ability to adapt is primarily hindered by the requirement to undergo a procurement process, which consumes time for business development and organization, resulting in a slow response to market fluctuations.

(273) In part, the applicant explains that printing and packing services are closely related to the demands of customers wishing to bundle printing and packaging services together with solutions sourced from third parties. In circumstances where Eesti Post is subject to public procurement requirements, it is unable to quickly adjust to market developments and source the required input to meet the demand of its customers. Consequently, the competitive pressure arising from Eesti Post is lower than would be indicated by its market share. Nevertheless, in terms of market share, Eesti Post remains well below the market leader. In that respect, providing an exemption to Eesti Post from public procurement rules may increase the competitive pressure arising from it, potentially allowing it to effectively compete with the largest services provider [].

| Competitor | Contact info |
|------------|--------------|
| [] | [] |
| [] | [] |

5.2.4. an estimate of the total value, volume and source of imports from outside the EEA territory and identify:

- (a) the share of such imports attributable to the applicant;
- (b) an estimate of the extent to which any quotas, tariffs and non-tariff barriers to trade constitute barriers to these imports; and
- (c) an estimate of the extent to which transportation and other costs affect these imports.

(274) The applicant explains that the provision of printing and packaging services for mailing items is provided nationally and the applicant is not aware of any imports from outside the territory of the EEA.

5.2.5. the extent to which trade between States within the territory of the EEA is hindered by:

- (a) transportation and other costs; and
- (b) other non-tariff barriers to trade;

(275) The applicant explains that trade between Member States within the territory of the EEA is not significantly impacted by transportation and other costs or by non-tariff barriers to trade. However, the applicant notes that services are nevertheless provided nationally.

5.2.6. the manner in which the applicant produces and sells the products or services; for example, whether they are manufactured locally, or are sold through local distribution networks;

(276) The applicant explains that Eesti Post provides printing services locally, using assets located in Estonia. However, in Baltics, Eesti Post offers packing services.

(277) For clarity, however, to the extent that the applicant is aware, some competitors in particular [-] (former Itella), provide the service on a pan-Baltic level, with the printing services centralised in Latvia.

(278) In response to Question 19 of the European Commission's RFI dated October 24, 2024, [-] is wholly owned by the Latvian company Unifiedpost CEE SIA, both of which are part of the international Unifiedpost Group, a public entity registered in Belgium with following shareholders list: [-]

5.2.7. a comparison of the applicant's and its competitors' price levels in each Member State and EFTA State and a similar comparison of price levels between the EU, the EFTA States and other areas where these products are produced (for example, Eastern Europe, the United States of America, Japan, or any other relevant area);

(279) Some pricing differences exist due to the difference in business focus. [-] mainly offers invoice printing and enveloping. This is not the case for [-] who offers this service to a very small number of very small volume customers – for example, a customer with 10 invoices per month. [-] is focused more on advertising addressing service (address label printing and stamping).

5.2.8. the nature and extent of the vertical integration of the applicant compared with the largest competitors;

(280) The applicant explains that vertical integration is generally limited and services are provided directly to customers.

(281) In some cases, however, the services are provided to an intermediary, who combines the printing and packaging services with their own, with the resulting combination then provided to end customers. In this manner the service is provided to sales invoice customers by [-] and [-] – the printing services is provided for the preparation of the physical channel, i.e. the preparation for mailing.

5.2.9. information on the cost structure of the applicant⁽¹⁸⁾. Also, specify any assets or infrastructure used jointly with other entities or used to carry out more than one activity covered by Directive 2014/25/EU. Where the use of such assets or infrastructures is subject to special conditions, such as universal service obligations or special rights, please specify.

(282) The applicant notes that the provision of printing and packaging services does not require any specific infrastructure. Thus, the cost structure of Eesti Post is made up of software for customer relationship management and financials.

(283) For printing and packaging, Eesti Post operates as follows: it prints mass invoices and notifications on the basis of electronic information received from customers (electronic file with address details of the recipient and the contents of the parcel). The machines print the contents of the parcel and then the machines automatically envelope the parcel so that the recipient's information is visible in the envelope.

The applicant notes that the assets and infrastructure used for the provision of printing services and packaging services is made up predominantly by:

- (a) Sorting line and related equipment;
- (b) Printing and packaging machinery;

- (c) Commercial vans and truck;
- (d) Domestic transport;
- (e) Frontline workwear;
- (f) Office;
- (g) IT: Core system (infa, ERP, CRM, DWH).

5.3. Please provide the following information:

5.3.1. Over the last five years, has there been any significant entry to the geographical market(s) for the relevant products (19)? If the answer is 'yes', where possible provide the name, address, telephone number and fax number of the undertaking concerned, as well as the appropriate contact person, and an estimate of their current market share.

(284) The applicant is not aware of any significant entry over the last five years.

5.3.2. In the opinion of the applicant are there any undertakings (including those at present operating only in markets outside the EU or outside the EEA) that could enter the market? If the answer is 'yes', please explain why and identify such undertakings by name, address, telephone number, fax number and appropriate contact person, and give an estimate of the time within which such market entry is likely to occur.

(285) The applicant is not aware of any undertaking outside of the EU or EEA, which could easily enter the market.

5.3.3. Describe the various factors influencing entry into the relevant markets in this case, from both a geographical and product viewpoint. In so doing, take account of the following, where appropriate:

- (a) the total costs of entry (research and development, distribution systems necessary, promotions, advertising, after-sales service, etc.) on an equivalent scale to that of a significant viable competitor, indicating the market share of a such competitor;

(286) The applicant explains that total costs for full scale market entry can be up to [-]– [-] for equipment and another [-]– [-] for ancillary expenses, such as marketing and administrative costs. Such a competitor would likely be able to quickly gain a market share of around 25 – [-]. Furthermore, data from Estonian Statistical Office indicates that there are currently 381 companies operating in the business segment of "printing and reproduction of recorded media", further highlighting that entry barriers are not particularly high. This suggests that despite the initial investment, the market remains accessible to new players.

(287) For significant market entry, ensuring a market share of at least [-], initial total investments in the range of [-]– [-] is sufficient. The main costs for market entry are the necessary equipment required to provide services. In principle, market entry is also possible if access to such equipment is sourced from third parties. For example, a printing partner may be located outside the country where the service is provided. However, as a general rule, in such a case the company will not have a time advantage over others and will consequently find it very difficult to attract customers. It is, however, more likely to be able to enter the market competitively if the equipment is owned by the company itself and is located in or very close to Estonia.

(b) any legal or regulatory barriers to entry, such as government authorisation or the existence of any standards;

(288) The provision of printing and packaging services are not subject to any regulatory barriers to entry. In response to Question 3 of the European Commission's RFI dated October 24, 2024, environmental standards related to waste disposal and materials can add complexity and cost for new entrants. For new entrants, compliance might initially be a cost burden, but it could also

represent a competitive advantage if they position themselves as environmentally friendly. These standards do not influence the entry in a manner that would significantly complicate market entry.

(c) any restrictions created by the existence of patents, know-how and other intellectual property rights in these markets and any restrictions created by the licensing of such rights;

(289) The applicant explains that to the extent that it is aware, there are no restrictions related to the existence of any patents, know-how and other intellectual property rights that might influence entry into the relevant markets. Specialised knowledge in design and production might be of a barrier for new entrants in principle, but Estonia's relatively high level of technical education and the availability of skilled labour mitigates this challenge.

(d) the extent to which the applicant is a licensee or licensor of patents, know-how and other rights in the relevant markets;

(290) The applicant notes that Eesti Post is not the licensee or licensee which would be critical for market access. For clarity, Eesti Post is using conventional software for accounting and CRM (customer relationship management software), which are reliant on a corresponding license, however such licenses cannot be considered an appreciable barrier to entry and are freely available.

(e) the importance of economies of scale for the production of products in the relevant markets;

(291) The applicant explains that the business models for providing printing and packaging services is reliant on economies of scale for market entry. This is because the initial investment required for the equipment used for printing and packaging. However, the applicant also notes that generally volumes generated from relatively low turnovers (e.g. [-] market share) are sufficient to result in sufficient economies of scale to operate the equipment at near capacity. Thus, the economies of scale necessary for market and to become a viable competitor can be achieved at relatively low volumes.

(292) Some further economies of scale can be gained via increased purchasing power for source materials (such as paper etc.), however the applicant notes that these are generally not sufficient to grant an appreciable economic advantage to a market participant.

(f) access to sources of supply, such as availability of raw materials.

(293) The applicant notes that in general, access to the sources of supply is freely available. However, due to a recent shift in the global geopolitical situation, access to paper has become more difficult due to volatility in pricing. That said, access to paper takes place on market basis and to the extent that the applicant is aware, paper sold is not tied to long term agreements which would restrict market entry.

RESEARCH AND DEVELOPMENT

5.3.4. Give an account of the importance of research and development in the ability of an undertaking operating in the relevant market(s) to compete in the long term. Explain the nature of the research and development carried out by the applicant in the relevant markets.

In so doing, take account of the following, where appropriate:

(a) trends and intensity of research and development⁽²⁰⁾ in these markets and for the applicant;

(b) technological developments in these markets over an appropriate time period (in particular developments in products and/or services, production processes, distribution systems, and so on);

(c) the major innovations that have been made in these markets and the undertakings responsible for these innovations;

(d) the cycle of innovation in these markets and where the parties are in this cycle of innovation.

- (294) The main developments in terms of research and development takes place in part through developments in the printers and packaging equipment used in combination with a more effective use of such devices. This means that rather than labelling mailing items, the items themselves can be directly printed on, thereby reducing cost.
- (295) That said, the applicant believes that such developments are accessible for all market participants, due to the developments happening at the level of the device manufacturers. Thus, the importance of research and development at the level of the services providers of printing and packaging services is minor, if present at all.
- (296) In terms of the cycle of innovation, the applicant believes that the innovation in terms of product and services provided is low, with the main innovation being bundling printing and packaging services together with other cloud-based services. In Estonia, [-] is a good example of such a service provider.

COOPERATION AGREEMENTS

5.3.5. To what extent do cooperation agreements (horizontal or vertical) exist in the relevant markets?

5.3.6. Give details of the most important cooperation agreements concluded by the applicant in the relevant markets, such as research and development, licensing, joint production, specialisation, distribution, long term supply and exchange of information agreements.

- (297) The applicant notes that to the extent that it is aware, cooperation agreements (either horizontal or vertical) are limited if present at all.
- (298) Services provided under the printing and packaging market for mailing items can relatively easily be bundled with ancillary services, such as mailing or cloud services leading to synergistic effects. However, currently the applicant notes that the demand of customers varies sufficiently. Furthermore, market participants have not deemed it necessary to enter into cooperation agreements which could result in a barrier to entry. Thus, their effect on competition is limited if present at all.

6. Section 6 — Exposure to competition

Certain points may not be relevant for some activities or the factual situation of a given applicant — in such cases, please indicate so point by point.

The applicant may limit itself to giving a precise reference point by point to the relevant part(s) of a reasoned and substantiated position as referred to in Article 35 of Directive 2014/25/EU, adopted by an independent national authority that is competent in relation to the activity concerned, in which the point concerned is analysed.

According to Article 34(2) of Directive 2014/25/EU, the question of whether an activity is directly exposed to competition must be decided on the basis of criteria that are in conformity with provisions on competition of the TFEU, such as the characteristics of the goods or services concerned, the existence of alternative goods or services, the prices, and the actual or potential presence of more than one supplier of the goods or services in question.

6.1. Explain why you consider that the activity covered by this request is fully exposed to competition in the relevant product market on the relevant geographical market(s). In particular, give the following information:

GENERAL CONDITIONS ON THE RELEVANT MARKET

6.1.1. Identify the five largest independent suppliers⁽²¹⁾ to the applicant and their individual shares of the applicant's purchases (of raw materials or goods used to produce the relevant products). Provide the name, address, telephone number, fax number and appropriate contact person, of these suppliers.

- (299) The main suppliers of Eesti Post are undertakings active in the sale and maintenance of equipment required for printing and packaging, as well as sellers of paper and other items required as input for the applicant.

(300) The five largest independent suppliers for the applicant are as follows:

| Name of supplier | Supply sourced from the supplier | Share of supplier from the applicant's purchases (%) | Contact information |
|------------------|----------------------------------|--|---------------------|
| [-] | Envelopes | [-] | [-] |
| [-] | Paper | [-] | [-] |
| [-] | Printing products | [-] | [-] |
| [-] | Printing products | [-] | [-] |
| [-] | Maintenance services | [-] | [-] |
| [-] | Printing products | [-] | [-] |

| | | | |
|-----|-----------|-----|-----|
| [-] | Envelopes | [-] | [-] |
|-----|-----------|-----|-----|

Please also identify the undertakings affiliated to the applicant and their individual shares of the applicant's purchases (of raw materials or goods used to produce the relevant products). Provide the name, address, telephone number, fax number and appropriate contact person, of these undertakings.

(301) The applicant explains that Eesti Post does not obtain any supplies from any undertakings affiliated with the applicant.

STRUCTURE OF SUPPLY IN THE RELEVANT MARKETS

6.1.2. Describe the distribution channels and after-sales service networks that exist in the relevant markets. In doing so, take account of the following, where appropriate:

(302) The applicant explains that printing and packaging services are provided to the customers either directly (e.g. through long term agreements) or through intermediaries, who bundle the services together with other ancillary services. E.g. the end use may wish to outsource its entire invoicing procedure, covering both e-invoicing as well as paper invoicing. In such cases an intermediary may bundle its e-invoicing services together with the service provider of printing and packaging services.

(a) the existing distribution systems and their importance in these markets. To what extent is distribution performed by third parties or by undertakings affiliated to the applicant?

(303) The applicant explains that distribution systems are generally not important for the provision of printing and packaging services. In particular, services are generally provided based on individual agreements entered into directly by the service provider and the customers requiring service.

(304) To some extent, marketing is also provided by a third party acting as an intermediary, who bundles printing and packaging services together with its own offering. In case of Eesti Post, [-] of printing services are provided to customers through a subsidiary of Eesti Post ([-])⁵⁴

(b) the existing after-sales service networks (for example, maintenance and repair) and their importance in these markets. To what extent are these services performed by third parties or by undertakings affiliated to the applicant?

(305) The applicant notes that printing and packaging services generally do not require any after sales services, thus the existence of such services are not important to the competitive environment on the market.

6.1.3. Where appropriate, provide an estimate of the total EU-wide and EFTA-wide capacity for the last three years. During this period, what was the capacity of the applicant and what was the rate of its capacity utilisation?

(306) To the extent that the applicant is aware, there is sufficient capacity both at a national, regional (Estonia, Latvia, Lithuania) and EU, as well as EFTA level. Thus, the applicant notes that capacity concerns do not impact the provision of services in general.

6.1.4. Please indicate any other supply-side considerations you consider to be relevant.

⁵⁴ Finbite OÜ is a provider of e-invoices and digitization services. More info is available here: <https://finbite.eu/en/>

(307) The applicant does not have any further supply side considerations to note.

STRUCTURE OF DEMAND IN THE RELEVANT MARKETS

6.1.5. Identify the five largest independent customers of the applicant in the relevant market and their individual shares of total sales of the relevant products by the applicant. Provide the name, address, telephone number, fax number and appropriate contact person, of each of these customers.

(308) The applicant explains that the five largest independent customers of the applicant are undertakings that need to mail large amounts of items, such as invoices, advertising materials etc.

(309) The five largest customers of Eesti Post are as follows:

| Name of customer | Share of total sales of Eesti Post (%) | Contact information |
|------------------|--|---------------------|
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| | | [-] |
| | [-] | [-] |

| | | |
|-----|-----|-----|
| [-] | [-] | [-] |
|-----|-----|-----|

- (310) The applicant notes that the largest customers generally make up a relatively large part of the total sales of Eesti Post. This in turn gives the customers large bargaining power in relation to the services providers.
- (311) [-] and [-] are undertakings active in the telecommunications sector with large client pools, which in turn translates into a need for large number of invoices.
- (312) [-] is an undertaking active in the retail sector, operating both stores selling various goods (such as clothing etc) as well as running a shopping mall.
- (313) [-] is a public entity active in research and development, collecting, connecting and providing national information related to the health of the Estonian population.

6.1.6. Explain the structure of demand in terms of:

(a) the different phases of the markets, for example, take-off, expansion, maturity and decline, and a forecast of the growth rate of demand;

(314) The applicant explains that the market can be considered mature if not at a decline. The overall demand for printing and packaging services is likely to remain, however the market has shown a decline for the past three years.

(b) the importance of customer preferences, in terms of brand loyalty, product differentiation and the provision of a full range of products;

(315) Based on the assessment of the applicant, the market for printing and packaging is shifting due to changes in customer preferences. In particular, the main demand for printing and packaging services arises from customers wishing to print out mainly invoices or advertising materials.

(316) These materials can then either be mailed to end customers or used by the customers themselves.

(317) The demand of customers is shifting towards a one stop approach, where all services required can be obtained from one service provider. This results in printing and packing services often being combined with other services offered by third parties. However, due to a relatively wide selection of services with which printing, and packaging can be combined with, there is limited incentive to provide all such services inhouse, printing and packaging services have remained and will likely remain as a stand-alone service.

(318) In terms of product differentiation, the applicant notes that the core service offered by all competitors is the same – i.e. printing, labelling stamping, packaging.

(319) In terms of brand loyalty, the applicant notes that to the extent that it is aware, brand loyalty does not impact the choices of customers.

(c) the degree of concentration or dispersion of demand;

(320) The applicant notes that the degree of concentration of demand is relatively high, with the main customers making up a significant part of the sale of both Eesti Post and to the extent that Eesti Post is aware, the case is the same for the competitors of Eesti Post.

(d) segmentation of customers into different groups with a description of the 'typical customer' of each group;

(321) Customers can in principle be segmented into customers purchasing printing and packaging services for invoices and customers, which require the services for materials used for advertising. For clarity, these customers are not mutually exclusive – i.e. a customer interested in purchasing services for invoices may also be interested in services for advertising.

(322) A customer interested in invoicing generally wishes to purchase invoice services as a package, regardless of whether the invoice is sent on paper or digitally. Thus, the printing and packaging services are often combined with cloud-based solutions where customers who wish to have a third party take care of sending out all invoices.

(323) A customer wishing to have materials for advertising generally purchases printing services for magazines, which are then labelled for mailing.

(e) the importance of exclusive distribution contracts and other types of long-term contracts;

(324) Exclusive distribution is not relevant for providing printing and packaging services. The applicant further notes that to the extent that it is aware, long-term contracts are not widespread, due to large bargaining power of customers being able to choose their service providers.

(f) the extent to which contracting authorities, State undertakings or similar bodies are important as a source of demand.

(325) The importance of State undertakings as source of demand varies based on the activities of the public sector from year to year. However, public undertakings do make up around 25-[-] of the market in general.

6.1.7. Provide estimates of the degree of consumer activity in terms of switching supplier and renegotiating contracts in the last five years. Also give the sources used for this and, where available, the necessary documents to confirm the estimates.

(326) The applicant notes that to the extent that it is aware, the market is active, and customers change suppliers often due to very low switching costs. In the last five years, around [-] of customers have changes suppliers, making up around 40-[-] in terms of volume.

7. Section 5D - Third- and fourth-party logistics services (international business)

5. Section 5 — Information concerning the relevant market and access to that market

This section must be completed irrespective of the reply to point 4.1 above.

Certain points may not be relevant for some activities or the factual situation of a given applicant — in such cases, please indicate so point by point.

The applicant may limit itself to giving a precise reference point by point to the relevant part(s) of a reasoned and substantiated position as referred to in Article 35 of Directive 2014/25/EU, adopted by an independent national authority that is competent in relation to the activity concerned, in which the point concerned is analysed.

5.1. Please give the reasons why you consider that access to the relevant market is not restricted.

(327) As a starting point, the applicant notes that in respect to this exemption request, the majority of the goods and services sourced by Eesti Post in the context of third- and fourth party services are

not subject to public procurement rules, due to the exemption stipulated under Article 7 (d) of Directive 2014/24/EU – i.e. exemption in respect to logistics services (services combining physical delivery and/or warehousing with other non-postal functions). Thus, the applicant notes that where Eesti Post provides logistics services in combination with other non-postal functions, the market access should already be considered not restricted.

- (328) Since the goods and services sourced by the Eesti Post in the provision of logistics services are subject to Directive 2014/25/EU only insofar that Eesti Post is providing the services under this product market in conjunction with postal services falling within Directive 2014/25/EU, which makes up a marginal share of the services provided by Eesti Post (estimated to be less than [-]), market access to the relevant market should be considered not restricted in its entirety. That said, while postal functions can arguably be at time considered marginal, the share of postal to non-postal functions changes over time, given the unpredictable nature of postal logistics in recent years due to both the COVID-19 pandemic and the war in Ukraine. Consequently, the applicant prefers to include logistics services in the request as the activity is clearly directly exposed to competition – [-].
- (329) Further, the applicant explains that regardless of the product market definition, Eesti Post's market share on the market for third- and fourth-party logistics in Europe remains under [-] (market share for parcels to particular countries may be up to 3-[-] for a particular country). Based on the previous practise of the Commission, market shares of less than [-] can be taken as an indication that access to the relevant market is not restricted. ⁵⁵

5.2. For each relevant market, for each of the last three financial years⁽¹⁵⁾, and for each of the following territories:

- (a) the EEA territory;
- (b) the EU as a whole;
- (c) the territory of the EFTA States as a whole;
- (d) each Member State and each EFTA State where the applicant carries out an activity; and
- (e) the relevant geographical market⁽¹⁶⁾, if the applicant considers that this market is different

Please provide the information referred to in points 5.2.1 to 5.2.9

- 5.2.1. an estimate of the total size of the market in terms of sales value (in Euro) and volume (units)⁽¹⁷⁾, indicating the basis for the calculations and sources used and providing documents, where available, to confirm these calculations;
- 5.2.2. the sales in value and volume, as well as an estimate of the market share held by the applicant;
- 5.2.3. an estimate of the market share in value (and, where appropriate, volume) of all competitors (including importers) having at least [-] of the geographical market under consideration. Provide documents, where available, to confirm the calculation of these market shares and provide the name, address, telephone number, fax number and appropriate contact person, of

⁵⁵ Commission Decision of 6 August 2007, exempting certain services in the postal sector in Finland, excluding the Åland Islands, from the application of Directive 2004/17/EC of the European Parliament and of the Council coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (notified under document number C(2007) 3700), recital 21.

these competitors;

- (330) The applicant explains that total market data for the years 2017-2020 is available from a market report prepared by [-] in November 2021 (Annex I). The market report outlines data based on the total market by both value (EUR) and volume (parcels) for Europe as a whole, as well as on a per country basis. That said, clear market data is available only for the year of 2020. Due the marginal market share of Eesti Post, the applicant requests the Commission to waive the requirement to provide market shares for both 2019, 2021. In any case, the applicant notes that the market share of Eesti Post has remained marginal for those years and the applicant has provided the market shares for Eesti Post on a per country basis (where the market shares of Eesti Post are the highest) for the years 2019 and 2021 to the best of its ability. ⁵⁶
- (331) In terms of competitors market shares, the applicant notes that the competitor data is available from the [-] market report for all of Europe, it is not available on a per country basis. However, since the market share of Eesti Post is marginal irrespective of the market definition, the applicant requests the Commission to waive the obligation to provide market shares for competitors of Eesti Post on all plausible market definitions.
- (332) In relation to competitor data, the applicant notes that based on its understanding, the market is highly segmented and in general only a few competitors of Eesti Post can be considered to have a market share of over [-] on a plausible market covering all over Europe (in particular [-] and [-]). Further, in addition to the competitors listed below, undertakings similar to Eesti Post, e.g. the Belgian, Latvia, German incumbent postal undertakings are also active on the market, however there is limited or no market data for such undertakings. Since the market share of Eesti Post is marginal irrespective if such undertakings are included or not, the applicant has currently excluded them from the market.
- (333) Further, while the applicant notes that to the extent that it is aware, while the data provided by the [-] market report does not completely align with the product market definition, the applicant believes that the data is sufficient to note that the market presence of Eesti Post is marginal, and that market access is not restricted.
- (334) [-] Available market information indicates that the relevant logistics market is broad and involves multiple service providers operating across several countries.
- (335) [-] The applicant notes that its activities represent a limited share of the overall market, which is characterised by a large number of operators and significant competitive pressure.
- (336) [-] The applicant's role within the wider logistics chain depends on contractual arrangements and may vary depending on the specific services provided.
- (337) [-] In any event, the applicant's position remains limited across all plausible market definitions.
- (338) For ease of data interpretation, the applicant has provided information requested under points 5.2.1 – 5.2.3 in a single table, segmenting the information based on value and volume. The applicant further explains that the following figures in Table 24 do not reflect the value of logistics services, but the assumed following market shares in the logistics services market have been derived from total turnover of Eesti Post and its competitors.

Table 24

| | |
|--------------------------------------|------|
| Logistics services in Europe (value) | 2020 |
|--------------------------------------|------|

⁵⁶ Effigy Consulting Market Overview 2020 „European Courier Express and Parcel 2021 CEP Market Summary on 2017 – 2020 Data including 2021 – 2021 Forecast, page 59.

| | Value (MEUR) | Market share (%) |
|-------|--------------|------------------|
| [-] | | [-] |
| [-] | [-] | [-] |
| [-] | | [-] |
| [-] | | [-] |
| [-] | | [-] |
| [-] | [-] | [-] |
| Total | [-] | [-] |

***Source: Annex I, page 63**

Table 25

| Logistics services in Europe (volume) | 2020 | |
|---------------------------------------|------------------------|------------------|
| | Volume (million units) | Market share (%) |
| [-] | | [-] |
| [-] | | [-] |
| [-] | | [-] |
| [-] | | [-] |
| [-] | | [-] |
| [-] | | [-] |
| Total | [-] | [-] |

***Source: Annex I, page 61**

*** Estimated**

**** Projection, based on [-] report**

(339) The applicant explains in terms of competitors in the above countries, i.e. Estonia, Latvia, Lithuania, Finland and the Czech Republic as well as Ukraine, the applicant notes that all of the main competitors to the applicant are the same undertakings as are active on the EU level – i.e. [-], [-], [-] etc.

(340) Based on the [-] market report, the national level competitors are as follows (it is likely however that there are further competitors, that the report does not individually display):

(341) Estonia: [-], [-], [-]/[-], [-], [-], [-], [-], [-];

(342) Finland: [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], [-];

(343) Lithuania: [-], [-], Nege, [-], [-], [-], [-], [-], [-];

(344) Check Republic: [-], [-], [-], [-], [-], [-], [-], [-], [-], [-], [-];

(345) Ukraine: ([-]), [-], [-], [-], CAT, [-]/[-], [-]

(346) In summary, the applicant notes that it does not have any appreciable market share on any of the markets it is active on. Thus, it should be treated as a market player, who's volumes depend on the specific competitive situation on the market. In any case, the applicant notes that the market is highly competitive and the ability of Eesti Post to effectively compete on the market and increase its market share (e.g. from [-] to [-] in Lithuania between 2020 and 2021), is a strong indication that access to the relevant market, regardless of market definition, is not restricted.

| Competitor | Contact info |
|------------|--------------|
| [-] | [-] |
| [-] | [-] |
| [-] | [-] |
| | [-] |
| [-] | [-] |

5.2.4. an estimate of the total value, volume and source of imports from outside the EEA territory and identify:

- (a) the share of such imports attributable to the applicant;
- (b) an estimate of the extent to which any quotas, tariffs and non-tariff barriers to trade constitute barriers to these imports; and
- (c) an estimate of the extent to which transportation and other costs affect these imports.

- (348) The applicant explains that Eesti Post provides services for goods that have already been transported into the EEA. Since such services require local hubs within the EEA, the closest competitors to Eesti Post all possess such hubs within the EEA, thereby limiting the cross border “import” of such services into the EEA. That said, such hubs can be rented by undertakings active outside of the EEA, thus Eesti Post may compete also with undertakings active outside of the EEA.
- (349) Furthermore, Eesti Post focuses on providing services primarily for goods with their final destination in Eastern Europe, including countries outside of the EEA – such as Ukraine – as well as countries in the central Asia, such as Kazakhstan, Kyrgyzstan and Georgia (Eesti Post has not yet entered those markets in any appreciable scale). The main entry points for imports deriving from [-]/[-] are located in Budapest, Liege and Amsterdam. At the same time, the applicant mainly receives its import volumes in Riga. From Riga, the import volumes are transported to Kaunas (Lithuania) for sorting. From Kaunas, volumes are transported mainly by land transport to destination countries – Lithuania, Latvia, Estonia, Finland, Ukraine, Belarus, Moldova, Kazakhstan, Kyrgyzstan and Georgia (trade to countries outside the EEA has however significantly decreased since February 2022, due to a change in the geopolitical situation in Europe).
- (350) The applicant does not consider there to be any major obstacles why such provision of services could not also work the other way around – i.e. by undertakings based outside the EEA, providing their services within the EEA. Undertakings located outside the EEA base their decision to enter the EEA market on whether they are able to offer delivery solutions and speeds that meet / do not meet the needs and interests of the end customer. Most service providers cover EEA countries as well as destination countries located outside EEA. Clients choose their partners based on delivery speed, quality and last mile solutions offered.
- (351) The applicant notes that due to the low market presence of Eesti Post, the import of services (if present) does not have an appreciable effect on whether or not the applicant is open to competition in the provision of third- and fourth party services.

5.2.5. the extent to which trade between States within the territory of the EEA is hindered by:

- (a) transportation and other costs; and
 - (b) other non-tariff barriers to trade;
- (352) The applicant explains that the provision of third- and fourth party logistics services is inherently cross border within the EEA, thus trade between States within the territory of the EEA is generally not hindered by transportation and other costs or other non-tariff barriers to trade.
- (353) In relation to transportation costs, since the services provided are heavily reliant on transport, transportation distance is a factor, transport between States further away from the point of origin does impact trade. The applicant however does not consider such impact to be appreciable, since at their core, the trade flows serviced by Eesti Post and its closest competitors originate from China, meaning that the geographic location of a Member State to China outweighs the transportation costs between Member States.
- (354) By way of example, Eesti Post currently provides logistics services for parcels originating from China and heading to Kazakhstan. This is because (and under the assumption that air traffic over Russia is allowed at least for Chinese planes) the Baltics, along with Scandinavia are at an advantage due to their closer distance to China compared to the rest of the EEA. However, if air traffic closes, it becomes cheaper to transport parcels from China heading to Kazakhstan through Germany or France, providing an advantage to those countries.
- (355) In summary, barriers to trade between States are very limited and do not have an appreciable impact on competition on the market.

5.2.6. the manner in which the applicant produces and sells the products or services; for example, whether they are manufactured locally, or are sold through local distribution networks;

(356) [-] The applicant provides services primarily to business customers through contractual arrangements based on competitive market conditions.

(357) [-] The provision of services typically involves coordination of logistics activities across different stages of the delivery chain.

5.2.7. a comparison of the applicant's and its competitors' price levels in each Member State and EFTA State and a similar comparison of price levels between the EU, the EFTA States and other areas where these products are produced (for example, Eastern Europe, the United States of America, Japan, or any other relevant area);

(358) [-] Pricing in the market is determined by multiple factors, including destination, volumes and service requirements.

(359) [-] The applicant notes that customers are generally able to compare offers from different providers and switch between them where appropriate.

(360) [-] This contributes to a competitive environment where service providers must continuously adjust their offerings in response to market conditions.

5.2.8. the nature and extent of the vertical integration of the applicant compared with the largest competitors;

(361) In terms of vertical integration, the applicant explains that the customer is generally provided a service that starts with a pickup at a European transport hub and ends with delivery of the parcel to the final customers. Thus, there is no traditional vertical integration – e.g. a split between wholesale and retail. The service providers are in essence integrators that combine several different services and provide them as a package to the end customer. Accordingly, some undertakings are active in all of the services provided, rather than just acting as just integrators.

(362) The applicant notes however that in general, the importance of vertical integration (at least at low market shares) is limited and does not result in any significant competitive advantage. The applicant notes that third- and fourth party logistics services exist as a separate service, since, at least to the extent that the applicant is aware, it is not economical for a single retailer, to also provide its own logistics services across all of its target markets. That said, there are some major international players ([-], [-], [-]) with sufficient scale to provide the services through vertical integration.

(363) As such, e.g. Eesti Post as well as its other competitors are able to service several retailers focusing on parcels heading towards particular areas – i.e. Eastern Europe in case of Eesti Post. Being vertically integrated also limits the flexibility in case of sudden distributions in logistics. In summary, the applicant notes that vertical integration is limited.

5.2.9. information on the cost structure of the applicant⁽¹⁸⁾. Also, specify any assets or infrastructure used jointly with other entities or used to carry out more than one activity covered by Directive 2014/25/EU. Where the use of such assets or infrastructures is subject to special conditions, such as universal service obligations or special rights, please specify.

(364) Eesti Post incurs the largest expenses for the rent, management, development and maintenance of the IT system. Other cost items already form a marginal part of Eesti Post's cost structure, i.e. labour costs. It is also necessary to buy in mailbags and seals to provide the service.

The applicant notes that the assets and infrastructure used for the provision of third- and fourthparty logistics services (international business) is made up predominantly by:

(a) International transport;

- (b) Office;
 - (c) IT: Core system (infa, ERP, CRM, DWH);, (d) IT: international business.
- (365) Almost all of the infrastructure used for the provision of third- and fourth party logistics services is used exclusively for such services. There is however some overlap between third- and fourthparty logistics and services offered for international parcel services (an activity covered by Directive 2014/25/EU)
- (366) The business plan of Eesti Post foresees the outsourcing of as many services as possible, with the result that it does not itself own any key assets to provide services. More specifically, Eesti Post outsources sorting centre services in Kaunas. All transportation is outsourced from either its other group undertakings in the Baltics or from third-party services providers.
- (367) In connection with assets that support the implementation of Eesti Post's business operations, Eesti Post only owns some office equipment, as well as scales and other consumables to support the secure and compliant forwarding of parcels to their destinations.
- (368) With regard to a comparison between the cost structure and the resulting efficiency of Eesti Post and its closest competitors, the applicant notes that there are competitors who operate with similar setup compared to Eesti Post (i.e. outsourcing or renting all the assets for conducting its business activity) and there are competitors who prefer to directly invest in the assets necessary to conduct their business (i.e. trucks, buildings/warehouses, sorting lines etc). There also exist competitors who use both versions of models simultaneously (i.e. renting/outsourcing and investing into equipment). The general trend proves to be that market players that have more logistics, including final delivery, partners tend to be more effective both in the sense of speed and cost as these competitors have more alternatives to rely on.

5.3. Please provide the following information:

5.3.1. Over the last five years, has there been any significant entry to the geographical market(s) for the relevant products ⁽¹⁹⁾? If the answer is 'yes', where possible provide the name, address, telephone number and fax number of the undertaking concerned, as well as the appropriate contact person, and an estimate of their current market share.

- (369) The applicant is not aware of any significant entry to the geographical market over the last five years.

5.3.2. In the opinion of the applicant are there any undertakings (including those at present operating only in markets outside the EU or outside the EEA) that could enter the market? If the answer is 'yes', please explain why and identify such undertakings by name, address, telephone number, fax number and appropriate contact person, and give an estimate of the time within which such market entry is likely to occur.

- (370) The applicant is not aware of any undertakings that could enter the relevant market in the future. However, due to the geopolitical situation, new country specific market entry is quite likely from undertakings already active within the EEA.

5.3.3. Describe the various factors influencing entry into the relevant markets in this case, from both a geographical and product viewpoint. In so doing, take account of the following, where appropriate:

- (a) the total costs of entry (research and development, distribution systems necessary, promotions, advertising, after-sales service, etc.) on an equivalent scale to that of a significant viable competitor, indicating the market share of a such competitor;

- (371) In respect to third- and fourth party services, the applicant explains that the total costs of the entry into the market are relatively low.

- (372) In order to enter the market, the applicant considers that the highest entry costs are related to IT solutions and systems which can generally either be sourced from third parties or built inhouse. In case the IT solutions are sourced from third parties, a monthly subscription is possible.
- (373) The applicant also notes that other costs for the entry is related to the presence of sorting centre. Access to the sorting centre can also be provided through various lease contracts. It must also be noted that for the provision of the third- and fourth party logistics services it is also necessary to secure customer agreements with third parties. As this market primarily serves large ecommerce companies from third countries, it is necessary to secure contracts with various ecommerce companies in order to operate. In doing so, large e-commerce companies prefer to conclude cooperation agreements with undertakings that could demonstrate previous experience in the field of providing third- and fourth party logistics services.
- (374) In relation to timing, market entry can take place relatively fast (in as little as 2-6 months⁵⁷) and in the opinion of the applicant, there are no significant barriers to reaching significant market penetration, due to low customer loyalty and sensitivity to pricing and quality of the service. In particular, a customer's main contact with the postal operator in relation to third- and fourth party logistics services takes place online, where the necessary application for logistics services can be made. This also means that competing prices can easily be compared, with small price differences able to shift customer choice. Market entry is also strongly influenced by national legislation (the country where the company wishes to register its business activity) and other aspects (IT resource, etc.).

(b) any legal or regulatory barriers to entry, such as government authorisation or the existence of any standards;

- (375) The logistics service market is characterized by the fact that the business is operated on a B2B basis. The provision of third- and fourth party logistics services does not require any permits, government authorization or mandatory standards. In response to question 3 of the European Commission's RFI dated October 24, 2024, instead, it is necessary to understand international trade regulations and customs procedures. However, Estonia's membership in the European Union and its efficient customs systems make it easier for new entrants to navigate EU customs procedures.

(c) any restrictions created by the existence of patents, know-how and other intellectual property rights in these markets and any restrictions created by the licensing of such rights;

- (376) The provision of third- and fourth party logistics services is not significantly affected by the existence of patents or other intellectual property rights. The applicant explains that a certain amount of know-how is required to provide third- and fourth party logistics service. However, as the characteristic features of logistics services are similar to other services usually offered by postal operators, the know-how in the field of logistics services does not constitute a barrier to entry.

(d) the extent to which the applicant is a licensee or licensor of patents, know-how and other rights in the relevant markets;

- (377) Eesti Post is not a licensee or licensor of patents, know-how or other relevant rights which may impact market entry for competitors.

(e) the importance of economies of scale for the production of products in the relevant markets;

⁵⁷ Please note that the entry to the market depends, in particular, on the legislation of the specific country (country of registration) and other aspects (eg IT resource). In the European Union, market entry could range approximately between 2-6 months after the undertaking is registered.

- (378) Due to a large portion of costs being fixed, economics of scale are important for the provision of third- and fourth party logistics services. The larger the volume of goods served by Eesti Post, the lower the unit cost to Eesti Post. The increase in cargo volume has the effect that Eesti Post will be able to serve the additional volume lower-priced. Additionally, significant economies of scale in the third- and fourth party logistics services would allow for further integration, which would generate efficiencies.
- (379) The applicant notes however that the economics of scale overall have a limited impact due to relatively low fixed costs and relatively high marginal costs. Consequently, the diminishing returns on ever increasing volumes on specific trade routes are quickly reached.

(380) Further, in order to service higher volumes, more infrastructure is needed, meaning that most competitors focus on larger volumes. Consequently, the low volume part of the market can be competitively serviced by even smaller service providers than Eesti Post.

(f) access to sources of supply, such as availability of raw materials.

(381) Access to various supplies (sorting hubs, transportation, IT) is freely available.

RESEARCH AND DEVELOPMENT

5.3.4. Give an account of the importance of research and development in the ability of an undertaking operating in the relevant market(s) to compete in the long term. Explain the nature of the research and development carried out by the applicant in the relevant markets.

In so doing, take account of the following, where appropriate:

- (a) trends and intensity of research and development ⁽²⁰⁾ in these markets and for the applicant;
- (b) technological developments in these markets over an appropriate time period (in particular developments in products and/or services, production processes, distribution systems, and so on);
- (c) the major innovations that have been made in these markets and the undertakings responsible for these innovations;
- (d) the cycle of innovation in these markets and where the parties are in this cycle of innovation.

(382) The applicant explains that research and development (“R&D”) is of limited importance in providing third- and fourth party logistics.

(383) At its core, the services of third- and fourth party logistics services is a consolidation of services by different third-party service providers. To some extent, the market players active in the provision of third- and fourth-party logistics services may invest into IT development inhouse, which could be counted as R&D, however this can be also outsourced, without any significant disadvantages or advantages.

(384) In terms of long-term innovation, due to the relevance of transport capabilities in providing third and fourth party logistics, focus on decarbonisation will likely pressure services providers to use more environmentally friendly options. However, this is likely to originate from third party service providers offering more environmentally friendly transport options, rather than from the market players active in providing the third- and fourth party logistics services. This also means that should any disruptive innovation take place, it is likely to be available for all market participants.

(385) Consequently, the applicant submits that R&D plays a limited role in providing third- and fourth party logistics services.

COOPERATION AGREEMENTS

5.3.5. To what extent do cooperation agreements (horizontal or vertical) exist in the relevant markets?

(386) The applicant submits that cooperation agreements are critical for the provision of third- and fourth party logistics services. Such agreements are necessary both for access to the market (cooperation agreements with customers) as well as for providing third-and fourth party services themselves (such as agreements with transportation companies).

5.3.6. Give details of the most important cooperation agreements concluded by the applicant in the relevant markets, such as research and development, licensing, joint production, specialisation, distribution, long term supply and exchange of information agreements.

(387) The applicant notes that the main volumes of Eesti Post originate from Chinese e-commerce platforms, such as [-] and [-]. While Eesti Post has made efforts to diversify and also service alternative customers, it has not yet reached any significant volumes in relation to those customers.

(388) In respect to the Chinese e-commerce platforms - those relationships are governed by cooperation agreements. Due to the market position of such Chinese e-commerce platforms, as a standard, they have several cooperation partners in addition to Eesti Post, without any obligation to direct volumes to a particular cooperation partner.

(389) In terms of supply, Eesti Post explains that it has cooperation agreements with transport companies, in particular:

(390) [-]. [-] Lithuania offers last mile service delivery – parcel machine and courier service to end customers;

(391) [-]. [-] Estonia offers last mile service delivery – parcel machine, post office (and courier service) to end customer;

(392) [-]. [-] Latvia offers last mile service delivery – parcel machine and courier service to end customer;

(393) [-]. [-] offers last mile service – the delivery of parcels to end customers in Finland;

(394) [-] offers last mile service delivery and transportation to destination countries – picking up parcels from sorting centres, delivery to destination countries and distribution to end customers;

(395) [-]. [-] offers road transport service to destination countries. Parcels are picked up from sorting centre and delivered by road to Belarus and Moldova. Parcels are then handed over to [-] and [-] for delivery to end customers;

(396) [-].[-] offers road transport service to destination countries. The parcels are picked up from sorting centre and delivered to Finland where the parcels are handed over to Eesti Post's partner [-] for delivery to end customers.

| Supplier | Contact information |
|----------|---------------------|
| [-] | [-] |
| [-] | [-] |

| | |
|-----|-----|
| [-] | [-] |
| [-] | [-] |
| [-] | [-] |
| | [-] |
| [-] | [-] |

6. Section 6 — Exposure to competition

Certain points may not be relevant for some activities or the factual situation of a given applicant — in such cases, please indicate so point by point.

The applicant may limit itself to giving a precise reference point by point to the relevant part(s) of a reasoned and substantiated position as referred to in Article 35 of Directive 2014/25/EU, adopted by an independent national authority that is competent in relation to the activity concerned, in which the point concerned is analysed.

According to Article 34(2) of Directive 2014/25/EU, the question of whether an activity is directly exposed to competition must be decided on the basis of criteria that are in conformity with provisions on competition of the TFEU, such as the characteristics of the goods or services concerned, the existence of alternative goods or services, the prices, and the actual or potential presence of more than one supplier of the goods or services in question.

6.1. Explain why you consider that the activity covered by this request is fully exposed to competition in the relevant product market on the relevant geographical market(s). In particular, give the following information:

GENERAL CONDITIONS ON THE RELEVANT MARKET

6.1.1. Identify the five largest independent suppliers⁽²¹⁾ to the applicant and their individual shares of the applicant's purchases (of raw materials or goods used to produce the relevant products). Provide the name, address, telephone number, fax number and appropriate contact person, of these suppliers.

(397) As noted above, the core of the service provided by Eesti Post is a consolidation of different services by different suppliers. The applicant has provided an overview of the five largest independent suppliers, outlining which type of services are provided (e.g. transport, warehousing etc) and the share of such services that they supply to the applicant.

Table 28

| Supplier | Supply provided | Share of applicants purchases of that type of supply (%) |
|----------|-----------------|--|
| | | |

| | | |
|-----|--------------------------------|-----|
| [-] | Transport & last mile delivery | [-] |
| [-] | Last mile delivery | [-] |
| | | [-] |
| [-] | Last mile delivery | [-] |
| [-] | [-] | [-] |
| [-] | Last mile delivery service | [-] |

(398) The contact information for the suppliers above has provided in the table below:

Table 29

| Supplier | Contact information |
|----------|---------------------|
| [-] | [-] |
| [-] | [-] |

| | |
|-----|-----|
| [-] | [-] |
| [-] | [-] |
| [-] | [-] |

Please also identify the undertakings affiliated to the applicant and their individual shares of the applicant's purchases (of raw materials or goods used to produce the relevant products). Provide the name, address, telephone number, fax number and appropriate contact person, of these undertakings.

- (399) The applicant explains that last mile delivery service is provided by undertakings within the group of Eesti Post. More specifically, the last mile delivery service is generally (not always) not outsourced from third parties but subsidiaries of Eesti Post (i.e. [-] Estonia, [-] (Latvia) and [-] (Lithuania) carries. The parcels are delivered to parcel machines or transported directly to end customers. For the Baltic countries, almost all of the last mile delivery is provided to Eesti Post by its national subsidiaries. That said, where Eesti Post is not able to delivery sufficiently rapid deliveries in countries, other third-party providers are used (competitors to Eesti Post).
- (400) The applicant notes however that in terms of last miles services in Estonia, Eesti Post is not the largest service provider and thus in the assessment of the applicant, access to local services providers does not constitute a barrier to entry. Further, for competitors of Eesti Post who are also postal undertakings and part of the Universal Postal Union, the subsidiaries of Eesti Post are under an obligation derived from its membership to the Universal Postal Union to provide last mile delivery services.

STRUCTURE OF SUPPLY IN THE RELEVANT MARKETS

6.1.2. Describe the distribution channels and after-sales service networks that exist in the relevant markets. In doing so, take account of the following, where appropriate:

- (a) the existing distribution systems and their importance in these markets. To what extent is distribution performed by third parties or by undertakings affiliated to the applicant?
- (b) the existing after-sales service networks (for example, maintenance and repair) and their importance in these markets. To what extent are these services performed by third parties or by undertakings affiliated to the applicant?

- (401) [-] Logistics services are typically coordinated through digital systems that enable customers to request and manage delivery services.
- (402) [-] Service providers submit offers based on relevant parameters, and customers select providers based on their requirements, including price and service quality.
- (403) In respect to after-sales services, such services are of limited important and at most, the provision of tracking for parcels could be treated as after sales services. Such services are performed by the service providers themselves as part of the core service.

6.1.3. Where appropriate, provide an estimate of the total EU-wide and EFTA-wide capacity for the last three years. During this period, what was the capacity of the applicant and what was the rate of its capacity utilisation?

(404) Outside of exceptional circumstances (e.g. COVID-19 and / or war), capacity concerns are generally not relevant for the provision of third- and fourth party logistics services within the EU or EFTA. This is because market participants can generally increase capacity quickly by simply sourcing more options for transport or sorting and each country have several parties capable to handle these volumes.

(405) As for the market overall (taking into account the last three-year average), the applicant notes that traffic flows could increase by another [-] for capacity in the future which may become a concern based on current infrastructure available in the EEA.

6.1.4. Please indicate any other supply-side considerations you consider to be relevant.

STRUCTURE OF DEMAND IN THE RELEVANT MARKETS

6.1.5. Identify the five largest independent customers of the applicant in the relevant market and their individual shares of total sales of the relevant products by the applicant. Provide the name, address, telephone number, fax number and appropriate contact person, of each of these customers.

(406) The applicant notes that Eesti Post has a few customers that account for all or almost all of its trade flows. The applicant further notes that in order to diversify its portfolio, Eesti Post is currently in negotiations with several Asian, European and American companies in order to also start providing third- and fourth party logistics services to such e-commerce platforms.

(407) The five largest independent customers of the applicant are as follows:

| Name of customer | Share of sales to customer by the applicant | Contact information |
|------------------|---|---------------------|
| [-] | [-] | [-] |
| [-] | [-] | [-] |

| | | |
|-----|-----|-----|
| [-] | [-] | [-] |
| [-] | [-] | [-] |
| | | [-] |
| [-] | [-] | [-] |

6.1.6. Explain the structure of demand in terms of:

(a) the different phases of the markets, for example, take-off, expansion, maturity and decline, and a forecast of the growth rate of demand;

(408) The applicant notes that the market for the provision of third-and fourth-party logistics is growing, due to the increasing popularity of e-commerce.

(b) the importance of customer preferences, in terms of brand loyalty, product differentiation and the provision of a full range of products;

(409) In relation to product differentiation and the provision of full range of products, the applicant notes that Eesti Post as well as its main competitors all provide similar product, with very small differences in the products in practise. The differences are a result of each of the market participants trying to distinguish its offering from the competitors, which allows it to offer a slightly different price.

(410) In terms of customer preferences and brand loyalty, since services are provided exclusively to businesses, customer preferences, if any are present, play a limited, if any, role on the choice of the service provider. In Estonia, brand loyalty is typically lower than in consumer-facing sectors. Clients are generally more willing to switch service providers for better service or lower prices.

(411) The applicant further notes customers generally have contractual relationships with several service providers without any obligation to use any particular contractual partner. As a result, the changing costs for customers are very low, if present at all.

(c) the degree of concentration or dispersion of demand;

(412) Due to the prevalence of e-commerce platforms, the customers are concentrated, leading to a high degree of bargaining power.

(d) segmentation of customers into different groups with a description of the 'typical customer' of each group;

(413) The applicant notes that a typical customer is a large international e-commerce platform.

(e) the importance of exclusive distribution contracts and other types of long-term contracts;

(414) The applicant submits that it is not aware of any exclusive distribution arrangements for the benefit of third- and fourth-party logistics providers. In particular, due to the high concentration of ecommerce platforms combined with the need for those platforms to arrange for the delivery of goods to several different destinations, it would not be favourable for such an e-commerce platform to limit its supplies.

(415) On the flip side, the applicant notes that generally, third and fourth-party service providers are not bound by exclusivity either, since such provision of services would leave them exceedingly vulnerable to the volumes of one e-commerce platform.

(f) the extent to which contracting authorities, State undertakings or similar bodies are important as a source of demand.

(416) The applicant notes that contracting authorities, state undertakings or similar bodies are not important as a source of demand as the customer base of Eesti Post consists of large ecommerce companies.

6.1.7. Provide estimates of the degree of consumer activity in terms of switching supplier and renegotiating contracts in the last five years. Also give the sources used for this and, where available, the necessary documents to confirm the estimates.

(417) Most customers of Eesti Post (of European, Asian and American origin) have concluded cooperation agreements with several partners for the provision of last mile service. The customers mainly use the services offered by different postal companies simultaneously and constantly monitoring the speed, quality and price of the service offered. This enables the customers to switch the volume between last mile partners if it proves to be necessary due to the quality of service provided. For example, in 2017 when Eesti Post faced delivery speed issues for a short period of time in Latvia and Lithuania, the customer decided to switch the delivery partner and the volumes were handed over to Eesti Post's competitors.