THE COMMUNICATIONS REGULATORY AUTHORITY
OF THE REPUBLIC OF LITHUANIA

# OVERVIEW OF POSTAL SECTOR 2014

Vilnius, May 2015

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# 1. OVERALL MARKET OF POSTAL SERVICES

## 1.1. Events and Changes in the Postal Market in 2014

The postal service activity report of 2014 has been drafted based on the reports submitted by postal service providers to the Communications Regulatory Authority. The major events on the postal market in 2014 are as follows:

- volumes of letter-post items which were gradually decreasing over the last two years (2012-2013) started to grow again; the growth rate stood at 3.6%;
- the growth rate of parcels in 2013-2014, compared to the period between 2011 and 2012, decreased by 50%; however, it has still remained sufficiently high and accounted for 10.4%. The main factors contributing to the growth of the postal parcel market may be considered the annually increasing e-commerce and self-service parcel terminals which have become popular due to their convenience;
- the total income for the provision of postal services went up by 7.1% in 2014 compared to 2013;
- compared to 2013, volumes of the universal postal services provided grew by 1.9% in 2014 and the revenue for these services increased by 9.0%.
- the new highest tariffs of the Universal Postal Service (UPS) coming into force as of 1 August 2014 were approved by Order No 1V-102 of the Head of the Communications Regulatory Authority of 29 July 2014 “On the Approval of the Highest Tariffs of the Universal Postal Service”. The new highest UPS tariffs were approved not only having taken account of the postal item weight steps (as was the case till 1 August 2014), but also of the sizes of the items.

## 1.2. Activity Indicators of Postal Service Providers

### 1.2.1. Players of the Postal Market

During 2014 the following 8 undertakings were added to the list of postal service providers of the Communications Regulatory Authority of the Republic of Lithuania (the RRT): UAB “Empire LT”, UAB “Avaneta”, UAB “Greitasis paštas”, UAB “AZI Group”, UAB “Skubių siuntų sprendimai”, UAB “Pašto paslaugos”, Laurynas Ovsiukas and UAB “VB group”.

Following the provisions of the Rules for the Provision of Postal Services, undertakings shall be removed from the list of postal service providers if they fail to deliver reports to the RRT on the postal services provided within one year. Referring to the said provision, 3 undertakings were removed from the list in 2014. 9 undertakings were removed from the list of postal service providers at their own request. 2 undertakings were removed due to their bankruptcy and 1 undertaking was removed due to the termination of its activity. In total, 15 undertakings were deleted from the list of postal service providers during 2014: LEX SYSTEM GmbH, UAB “Mediata”, UAB “Kamon”, UAB “Skaitmeninė spauda”, UAB “Veloma”, UAB “Londas”, UAB “Vilpostus”, UAB “EP-24”, UAB “Euro Post Business Group”, UAB “B.E.S.T. Logistic”, UAB “Laiškanešys”, UAB “Postnet”, UAB “Navi Grupė”, UAB “Siunta24/7”, and UAB “Transpa”.

At the end of 2014, 69 undertakings had the right to provide services in the market of postal services. Compared to 2013, in 2014 the number of market players decreased by 9.2% from 76 to 69 undertakings (see Fig. 1). This decrease in the number of postal service providers is associated with the ongoing competition on the postal market and removal of postal service providers from the list of postal service providers due to the failure to perform their activity.

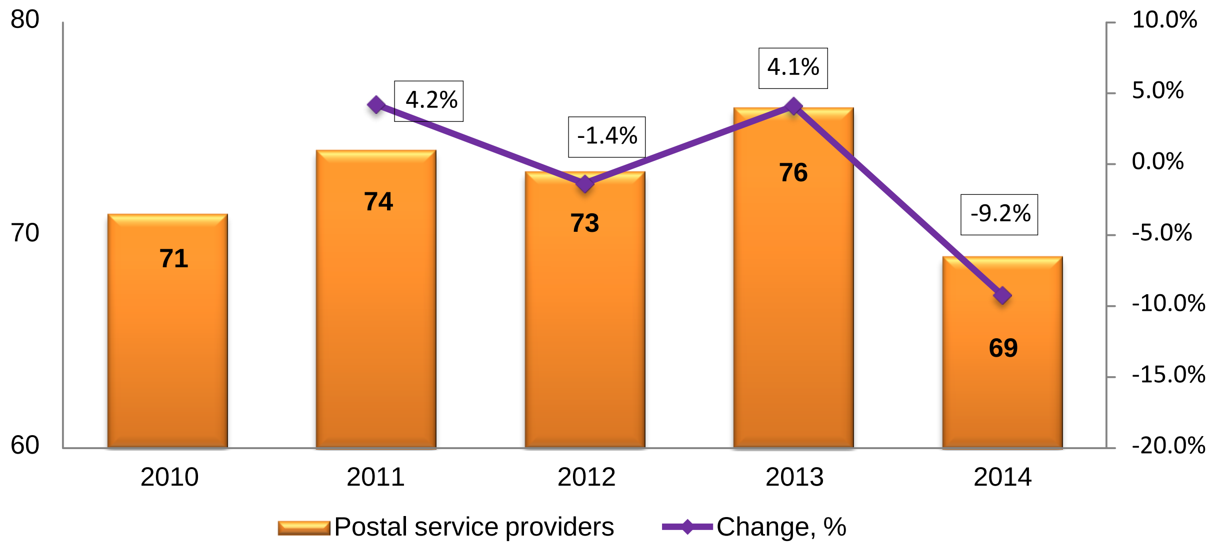


**Fig. 1. Dynamics of the number of postal service providers in Lithuania in 2010-2014, in units, %**

According to the data of the annual reports submitted by the market players to the RRT, a part of the undertakings indicated that they received no income from the provision of postal services in 2014, i.e. out of all undertakings registered in the list of postal service providers, 55 undertakings were actually providing postal services, i.e. 79.7% of all postal service providers (see Fig. 2). Although in 2013 the number of postal service providers engaged in the activity was the largest (76 undertakings), but comparing the number of postal service providers actually engaged in the activity with the total number of registered postal service providers, it is obvious that the providers were most active in 2014, where 79.7% of undertakings indicated to have been engaged in this activity. Until 2014 the trend of the activity of service providers was declining: in 2011 – 74.3%, in 2012 – 74.0%, and in 2013 – 71.1%.

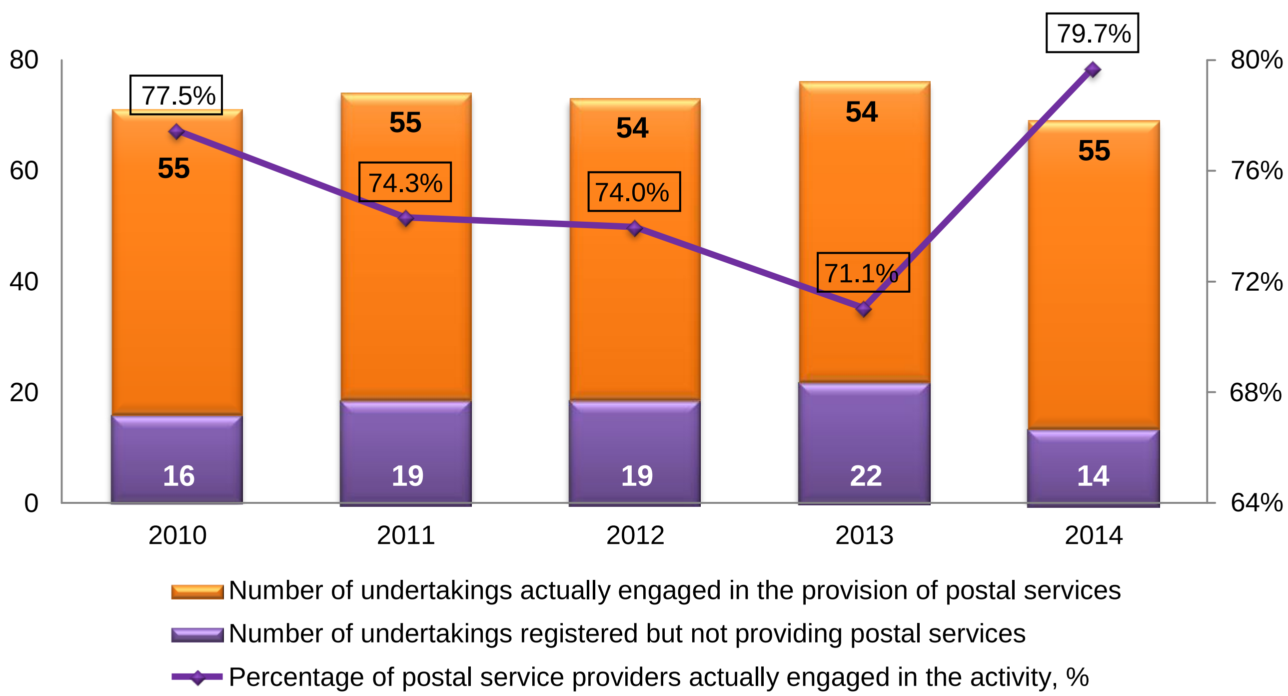


**Fig. 2. Postal service providers in Lithuania in 2010-2014, in units, %**

## 1.2.2. Competition in the Postal Market

The implementation of the Third Postal Directive as of 1 January 2013 led to the market of postal services being open to competition, thereby ensuring equal opportunities for private business entities to operate in the market, allowing for the competition and thus ensuring the provision of better quality services to users.

The following market concentration[1] ratios were selected to assess the current intensity of competition in the postal market: market structure ratios $CR_4$[2] and $CR_8$[3] and Hirschman-Herfindahl Index (HHI)[4].

Where the **concentration** of the postal market is evaluated **by the volumes of letter-post items**, $CR_4$ and $CR_8$ ratios show that during the period between 2010 and 2014 the concentration level was high, i.e. the ratios exceeded 90% (see Table 1). These ratios reveal that despite the sufficiently large number of operating postal service providers, the market of letter-post items is concentrated, and the market structure is similar to that of an oligopolistic market, where the major share of the market is held and dominated by several major service providers.

The dynamics of the $CR_4$ ratio of the market share held by the four largest service providers shows that the values of the ratio are sufficiently stable and they range above 90% (92.2 – 93.7%). From 2011 to 2013 this ratio grew by 1.4% – from 92.2% to 93.6%, in 2014 it decreased by 0.6% and stood at 93.0%. The comparison of the ratio values in 2014 and 2010 shows that CR4 shrank by 0.7%.

The dynamics of the $CR_8$ ratio of the market share held by the eight largest service providers during the period between 2010 and 2014 shows that the highest concentration in the market was in 2013, where the eight largest service providers occupied 98.8% of the market of the letter-post items. In 2014 the ratio declined by 1.7% and stood at 97.1%. Between 2010 and 2014 the ratio went down by 0.7%.

The table below shows that the HHI index also illustrates that the market of the letter-post items is highly concentrated since during the period between 2010 and 2014 the HHI index exceeded 5,000 (see Table 1). This means that the level of competition in this market is low. The value of this ratio decreased by 290.1 between 2010 and 2014, what shows the increase of competition.

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[1] Concentration means a market situation in which economic activity is concentrated under the control of one or several companies, in other words, when a small number of companies occupy the largest share of a particular market.

[2] The concentration level ratio CR4 indicates the market share of the four largest market players in an industry as a percentage.

[3] The concentration level ratio CR8 indicates the market share of the eight largest market players in an industry as a percentage. CR values:

- a value close to 0% means perfect competition, excellent conditions for competing or at the very least monopolistic competition, i.e. the four largest companies do not have any significant market power;
- a value below 40% means effective competition and low concentration in the market;
- a value below 70% means medium concentration similar to an oligopolistic market;
- a value above 70% means high concentration, the market ranges from oligopoly to monopoly;
- 100% means an extremely concentrated oligopoly. If, for instance, CR1 = 100 per cent, this means a monopoly.

[4] HHI shows an uneven distribution of market powers of all market players and is the best known and most important index of the intensity of competition in the market. HHI is directly proportional to concentration (i.e. when the latter increases, the former increases as well, and when the former decreases, the latter decreases). The lower the HHI, the higher the level of competition, and vice versa; the increase in the HHI indicates a decrease in competition and an increase in market power. HHI values:

- HHI < 1,000 indicates an unconcentrated market;
- HHI between 1,000 and 2,000 – moderate concentration;
- HHI above 2,000 – high concentration.

**Table 1. Market concentration ratios in terms of the volume of letter-post items in 2010-2014**

| Index | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| $CR_4$, % | 93.7 | 92.2 | 92.3 | 93.6 | 93.0 |
| $CR_8$, % | 97.8 | 96.7 | 97.4 | 98.8 | 97.1 |
| HHI | 5,297.6 | 5,079.0 | 5,184.7 | 5,236.3 | 5,007.5 |

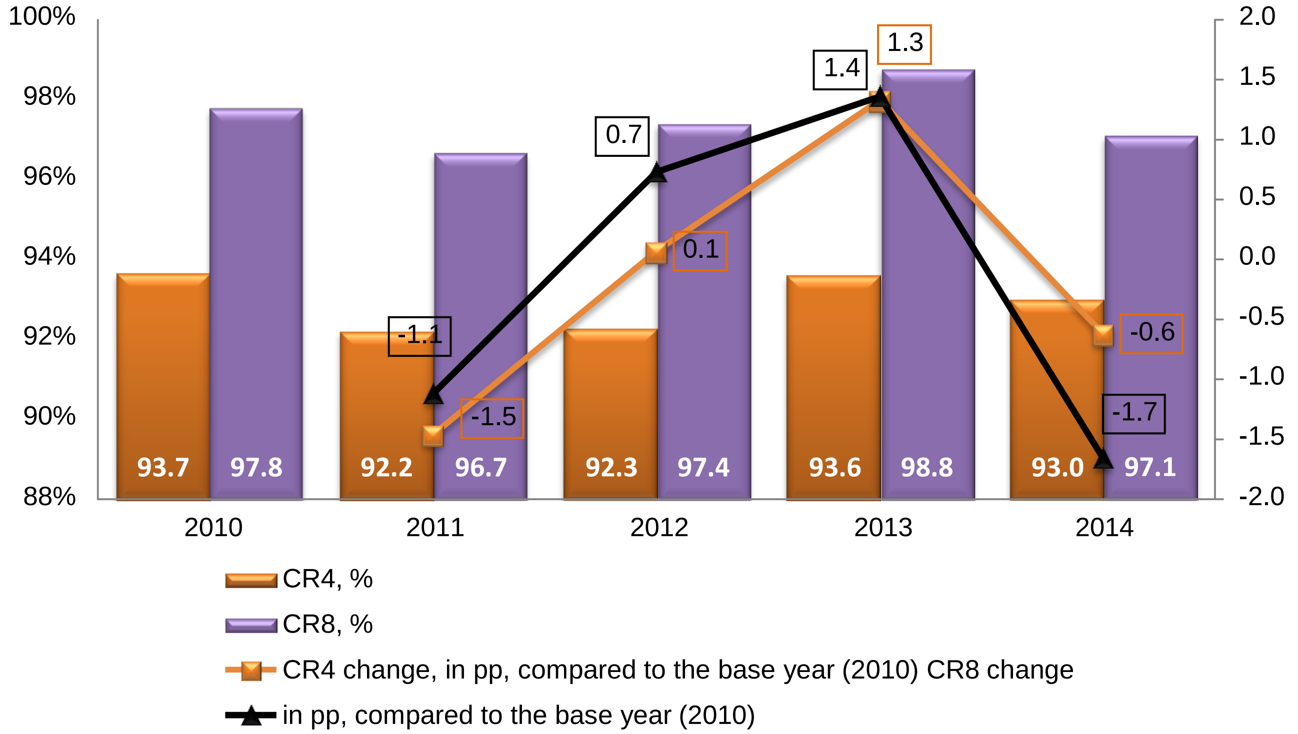



**Fig. 3. $CR_4$ and $CR_8$ and the dynamics of changes thereof by the volumes of letter-post items between 2010 and 2014, %**

The evaluation of the **concentration** of the postal market **by the volumes of postal parcels** shows that the market of postal parcels in Lithuania is less concentrated than the market of letter-post items (see Table 2).

The CR4 ratio of the market share held by the four major service providers shows the concentration level higher than the average: in 2013 the ratio stood at 77.2% and in 2014 – 80.3% (see Fig. 4). Between 2010 and 2014 the ratio grew by 2.7%.

The CR8 ratio of the market share held by the eight largest service providers during the period in question ranged above 90%. In 2013 the ratio stood at 94.8%, in 2014 – 91.1%.

Although the $CR_4$ ratio fluctuates around the average and high concentration limit, $CR_8$ (which is another indicator of the intensity of competition) showed that the Lithuanian market of postal parcels was still highly concentrated since in 2014 the eight largest postal service providers occupied 97.1% of the market of postal parcels. Between 2010 and 2014 the ratio grew by 1.3%.

During the period in question (2010-2014) the HHI index by the volume of postal parcels grew by 169.2 and reached its peak in the entire period (the ratio stood at 2,178.4). This shows the increase in the influence of the dominating service providers.

**Table 2. Market concentration ratios in terms of the volume of postal parcels in 2010-2014**

| Index | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| $CR_4$, % | 77.6 | 78.7 | 74.3 | 77.2 | 80.3 |
| $CR_8$, % | 95.8 | 96.5 | 93.6 | 94.8 | 97.1 |
| HHI | 2,009.2 | 2,164.5 | 2,038.6 | 2,163.1 | 2,178.4 |

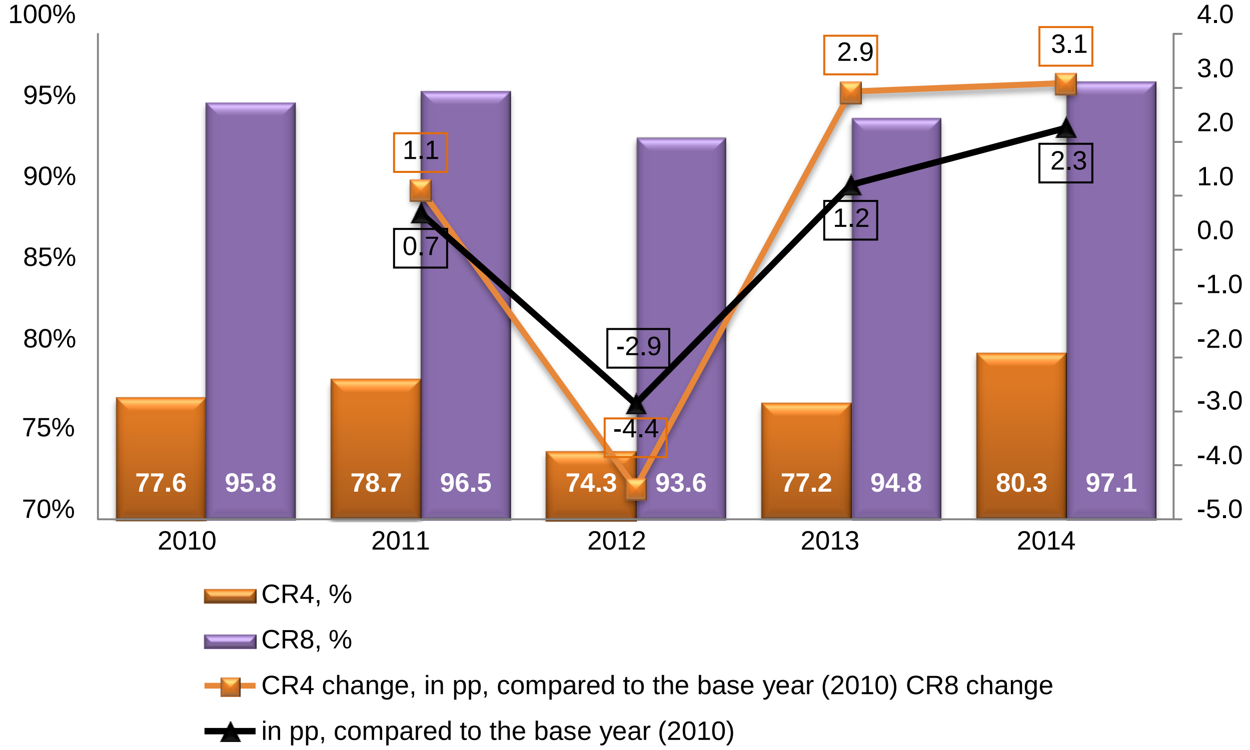



**Fig. 4. $CR_4$ and $CR_8$ and the dynamics of changes thereof in the market of postal parcels by the volumes of postal parcels, 2010-2014, %**

Where the market **concentration** is evaluated **by the revenue** of the postal service providers, $CR_4$ and $CR_8$ ratios show that the highest concentration in the market was in 2014 and the 4 largest service providers occupied 80.7% of the market, the 8 largest service providers held 97.0% of the postal market (see Table 3 and Figure 5). The lowest concentration of the postal market was in 2010: $CR_4$ – 71.9%, $CR_8$ – 87.7%. During the period between 2010 and 2014 $CR_4$ went up by 8.8 pp, and $CR_8$ grew by 9.3 pp.

The market share held by the four largest postal service providers and the market concentration of the eight largest service providers is considered to be high.

The evaluation of the competition in the postal market by HHI shows that since 2010 the concentration of postal service providers has declined, which shows the increase of the competition, and it started growing again in 2013, which shows the increase of the concentration and decrease of the competition. In 2014 this ratio stood at 2,544.2 and it has grown by 4.7% since 2010. The lowest level of the concentration was in 2012 – 2,149.3, the highest level was in 2014 – 2,544.2 (see Table 3). Taking account of the ratio in 2014, the concentration of service providers may be considered high.

**Table 3. Market concentration indices by revenue in 2010-2014**

| Index | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| $CR_4$, % | 71.9 | 72.6 | 74.0 | 75.0 | 80.7 |
| $CR_8$, % | 87.7 | 88.5 | 87.8 | 88.7 | 97.0 |
| HHI | 2,429.2 | 2,286.2 | 2,149.3 | 2,262.7 | 2,544.2 |

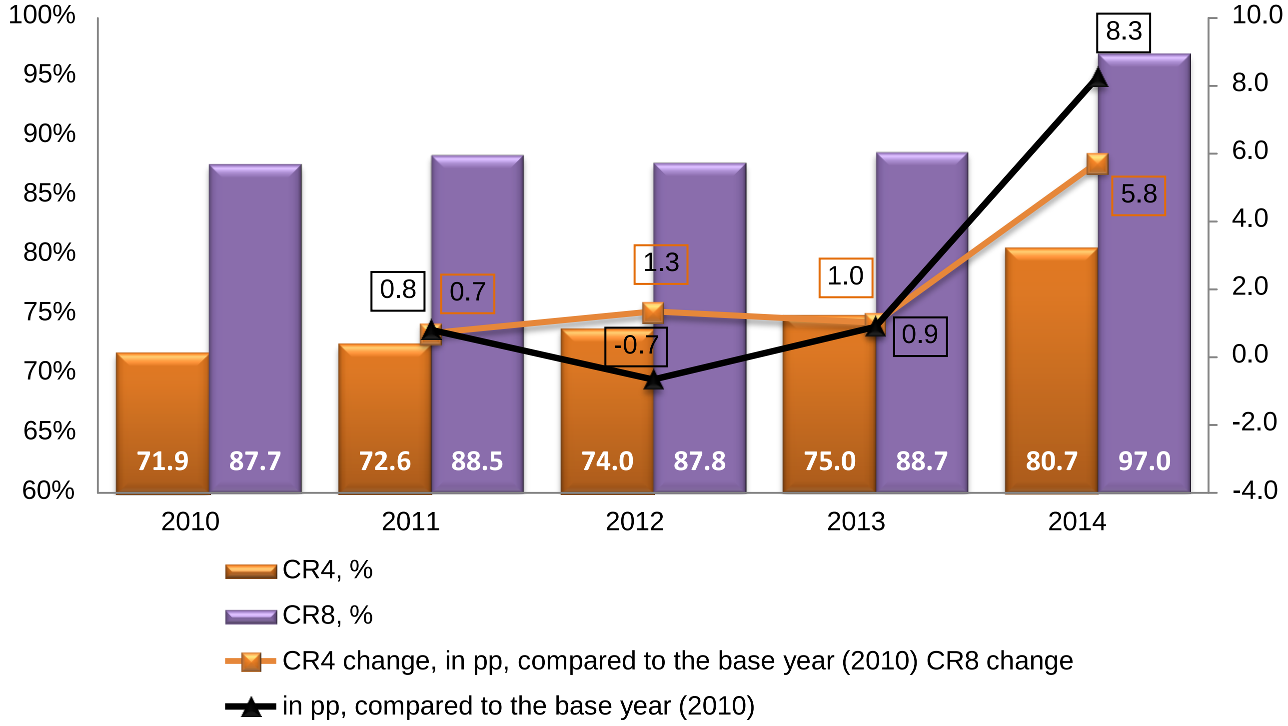



**Fig. 5. $CR_4$ and $CR_8$ and dynamics of changes thereof by revenue from the postal activity, 2010-2014, %**

### 1.2.3. Activity Indicators of the Overall Postal Market[5]

The evaluation of the market of postal services by the total **volume of letter-post items** shows that between 2011 and 2013 the volume of letter-post items was going down (see Figure 6). In 2011 the volume of letter-post items which increased by 1.3% compared to 2010 was further declining since 2012: in 2012 – from 74.3 to 74.2 million items, i.e. 0.2%, in 2013 – from 74.2 to 69.1 million items, i.e. 6.8%. In 2014 the volume of letter-post items, compared to 2013, increased by 3.6% up to 71.6 million items, and between 2010 and 2014 the total decrease accounted for 2.3%.

[5] The volumes of items between 2009 and 2013 were re-calculated based on the methodology, where the total scope of provided services excludes the received domestic items.

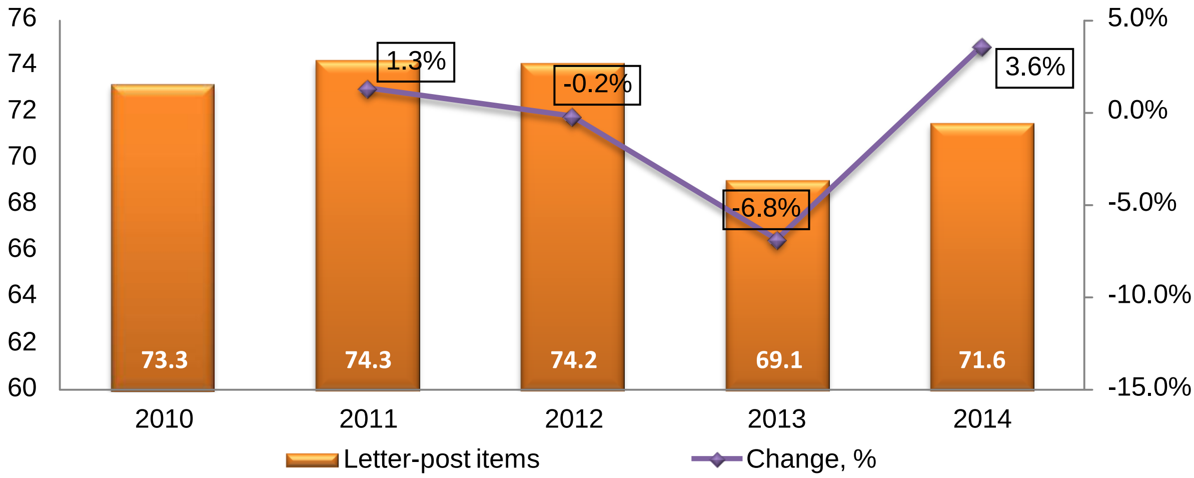



**Fig. 6. Dynamics and changes in the volume of letter-post items of the postal service providers between 2010 and 2014, millions of items, %**

The total **volume of postal parcels** of the postal service providers was constantly increasing between 2010 and 2014: in 2011 – 16.7%, in 2012 – 21.3%, in 2013 – 9.3%, and in 2014 – 10.4% (see Fig. 7). It may be noted that since 2013 the growth rate of the volume of postal parcels has slowed down, compared with the growth rates between 2010 and 2012. In 2014 the number of parcels went up to 8.7 million items and, compared to 2010, it even increased by 70.9%.

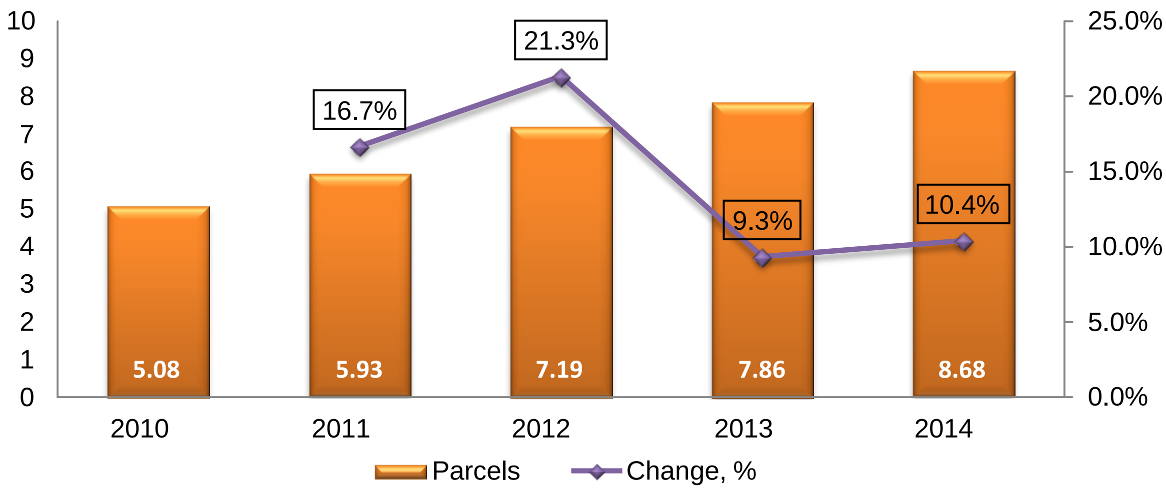
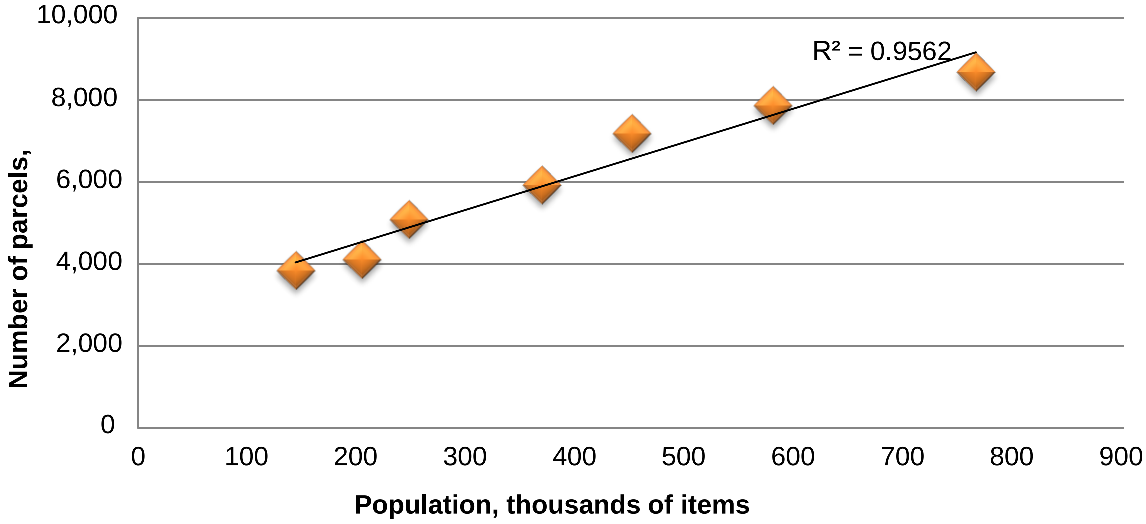



**Fig. 7. Dynamics and changes in the volume of postal parcels of the postal service providers between 2010 and 2014, millions of items, %**

The growth in the number of postal parcels is related to the increasing popularity of e-commerce in the country. This interrelation may be evaluated by using a scattergram illustrating the relationship between the two variables. According to the data of the Statistics Department of Lithuania, the number of individuals ordering or purchasing goods or services over the Internet is annually increasing in Lithuania. The comparison of the number of individuals who made purchases over the Internet with the volume of postal parcels between 2008 and 2014 shows that there is a strong statistical linear relationship between these two variables, i.e. the more people buy goods or services over the Internet, the more postal parcels are sent (see Fig. 8).




*Sources: Statistics Department of Lithuania and RRT calculations.*

**Fig. 8. A scattergram illustrating the relationship between the volume of postal parcels and the number of individuals who purchased or ordered goods or services over the Internet**

As the number of people who use electronic services is growing and the public and authorities pay increasingly more attention to not only domestic, but also to cross-border e-commerce, the volumes of postal parcels are likely to continue to grow.

**The revenue** received for the provision of **postal services** between 2010 and 2014 were constantly increasing: in 2011 – 14.4 %, in 2012 – 13.9%, in 2013 – 13.4%, and in 2014 – 7.1% (see Fig. 9). In 2014 the revenue for the provision of postal services went up to LTL 376.5 million, which is by 7.1% more than in 2013. Between 2010 and 2014 the revenue of postal service providers increased in total by 58.3%.

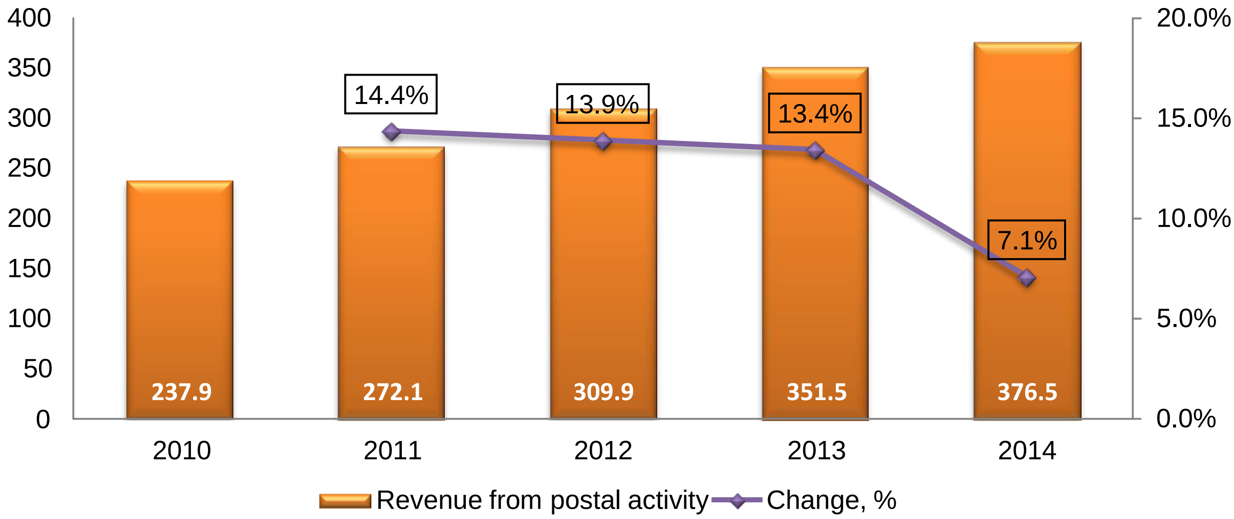



**Fig. 9. Dynamics of revenue from postal services in 2010-2014, LTL million, %**

The increase of the volume of letter-post items in 2014 led to the growth of received revenue by 9% (see Table 4). The revenue from postal parcels went up by 7.1%. Meanwhile, the revenue from other post-related services (mainly revenue from the delivery of unaddressed direct mail) went down by 0.7%.

**Table 4. The structure of and changes in revenue of the postal market in 2013-2014**

| Indicator | | 2013 | 2014 | Change, % 2014/2013 |
|---|---|---|---|---|
| Total revenue from postal services: | | 351,518,477 | 376,500,404 | 7.1% |
| of which: | from letter-post items | 143,989,640 | 156,918,753 | 9.0% |
| | from postal parcels | 173,461,898 | 185,753,094 | 7.1% |
| | from other postal services and post-related services | 34,066,939 | 33,828,557 | -0.7% |

The estimation of the revenue of the postal market shows that the revenue received from recorded delivery of postal items are higher than the revenue from the provision of traditional postal services (see Fig. 10). Between 2010 and 2014, the portion of recorded delivery of the items grew by 0.6 pp – from 56.7% to 57.3%. Meanwhile, the portion of revenue for the traditional postal services decreased at the same proportion – from 43.3% to 42.7% – due to the decrease of the volume of sent letter-post items.

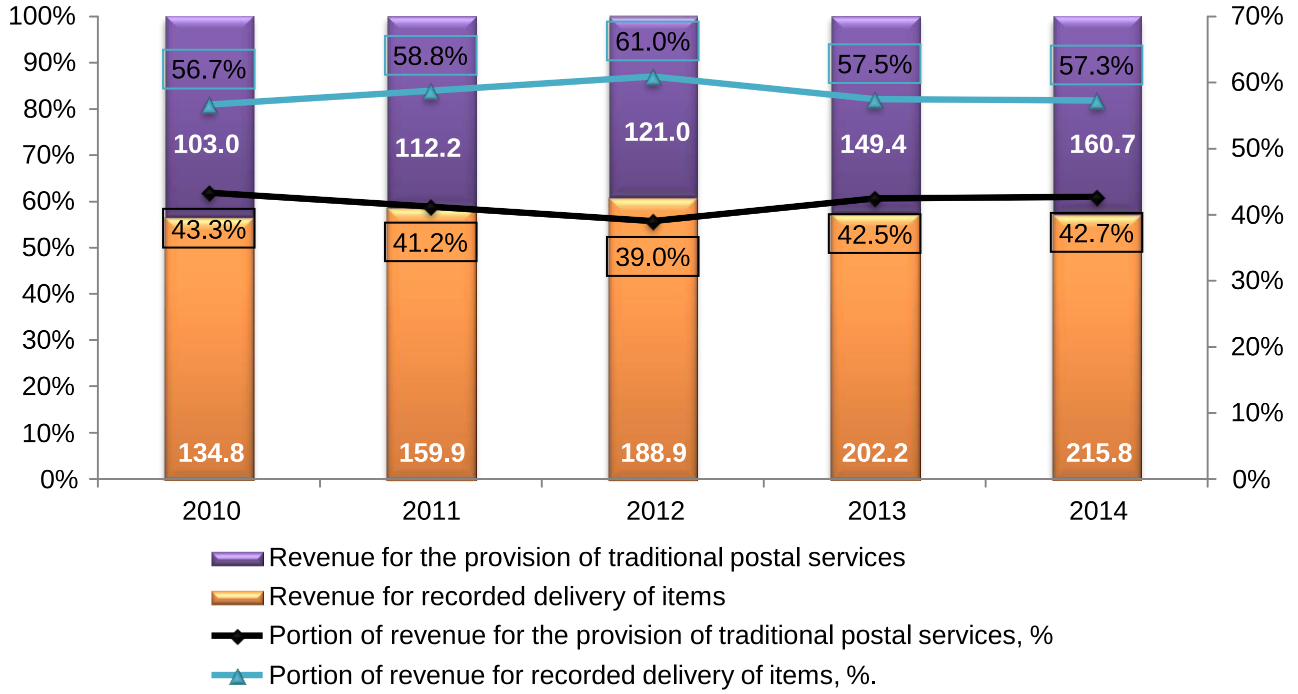



**Fig. 10. Dynamics of the structure of the revenue from postal activities in 2010-2014, %**

In terms of revenue received in 2014, AB “Lietuvos paštas” and DPD Lietuva UAB held the largest share of the overall market of postal services (see Figure 11). The revenue for the provision of postal services received by these two undertakings accounted for 58.8% of the revenue received from the postal activity by all service providers. Meanwhile, based on the volumes of postal items, the major share was held by AB “Lietuvos paštas” and UAB “Greitasis kurjeris” (see Fig. 11). The market share held by the said undertakings by the volumes of postal items accounted for 77.8% of the market.

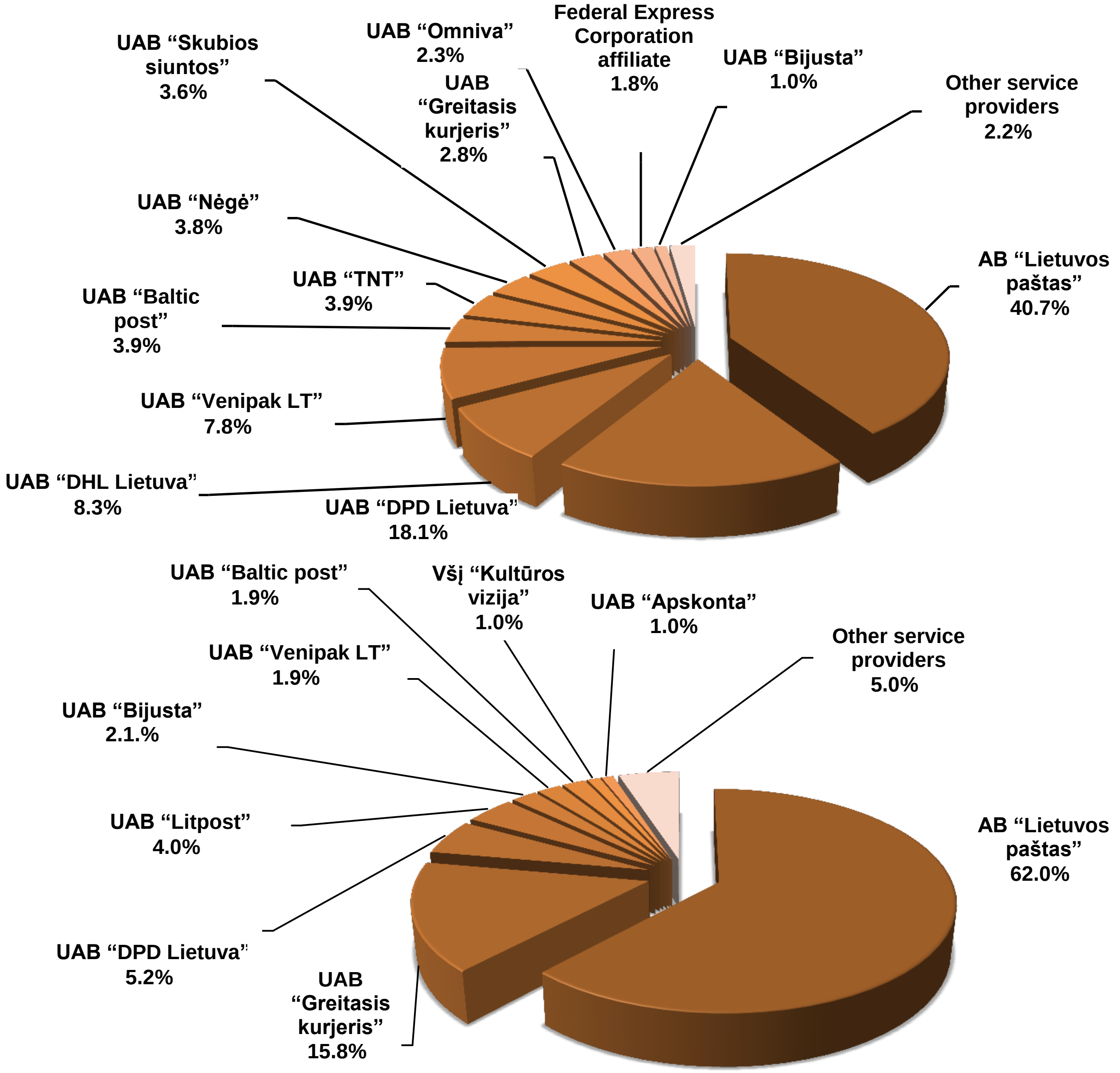
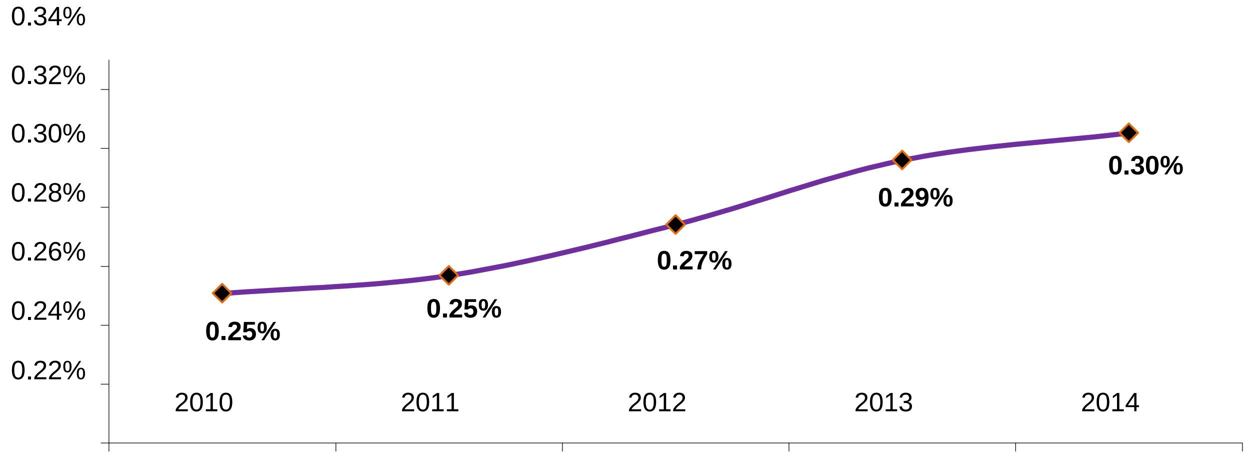



**Fig. 11. Market share held by postal service providers by received revenue (Figure 1) and volumes of postal items (Figure 2)[6], % 2014**

[6] This includes only such undertakings whose market share held constituted more than 1%.

With a view to the ratio of total revenue from the postal activity to GDP changes based on the current prices, the ratio is obviously increasing: in 2010-2011 – 0.25%, in 2012 – 0.27%, in 2013 – 0.29%, and in 2014 – 0.3% (see Fig. 12). This reflects the increasing role of the postal sector in the economic life of the country.




*Sources: Statistics Department of Lithuania and RRT calculations.*

**Fig. 12. The ratio of revenue from postal activities to nominal GDP, %**

### 1.2.4. Analysis of Complaints from Postal Service Users

According to the data submitted by postal service providers to the RRT, the number of complaints received from postal service users increased by 37.7% in 2011. The number of complaints has started to decline since 2012: in 2012 it decreased by 5.1%, in 2013 – by 17.5%. In 2014 the number of complaints started increasing again; this growth accounted for 19.7%. The largest number of postal service users' complaints was received in 2011 – 8,348 complaints (see Fig. 13).

The trends of the growing number of substantiated complaints are associated with the changes in the number of received complaints: the more complaints are received from postal service users, the larger the number of substantiated ones. However, the number of substantiated complaints was changing faster than that of received complaints: in 2011 the number of substantiated complaints grew by 86.5%, in 2012 – by 13.0%, in 2013 it went down by 18.1% and in 2014 it went up again by 24.5%.

The portion of substantiated complaints in the total number of complaints received from postal service users has increasingly grown since 2010: in 2010 – 28.0%, in 2011 – 37.9%, in 2012 – 45.2%. In 2013, compared to 2012, the portion of substantiated complaints slightly decreased to 44.8%; however, in 2014 it constituted 46.7% of all complaints received by postal service users.

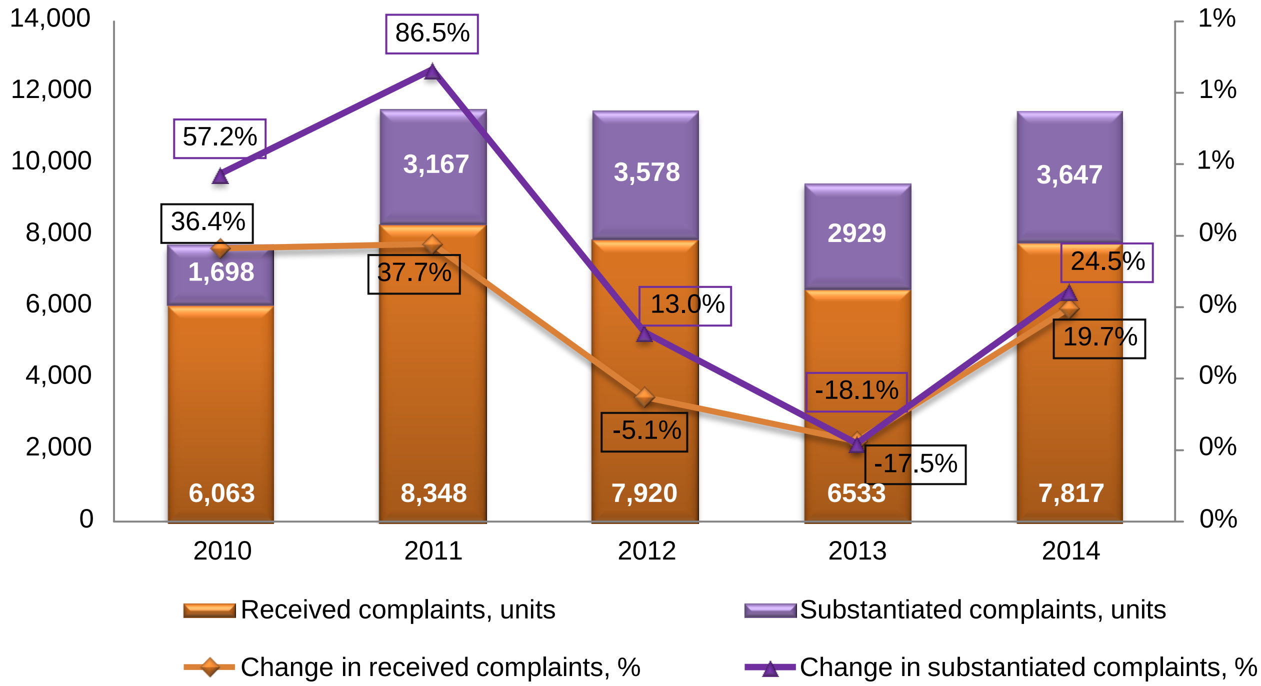



**Fig. 13. Dynamics of the number of received and substantiated complaints in 2010-2014, units, %**

Based on the data submitted by postal service providers to the RRT, during the period of 2010-2012 the amount of compensations for the damage resulting from undelivered, lost or damaged postal items varied depending on the changes in the number of received complaints. In 2013, compared to 2012, the number of received and substantiated complaints decreased, but the amount of compensated damage increased up to LTL 892.5 thousand (see Fig. 14). This may be partially related to the new Postal Law which came into force on 1 January 2013 which increased the amount of the damage to be compensated, where, through the fault of a provider of postal services, postal items become lost or damaged, articles (merchandise) are missing or damaged therein or the articles (merchandise) are damaged.[7] The smallest amount of compensations for damage was in 2010 – LTL 393.7 thousand (the average damage amount per complaint – LTL 64.9), where the number of complaints received from postal service users during the period in question was the lowest. In 2011, compared to the previous period, the amount of compensations for damage increased by 2.3 times – up to LTL 901.0 thousand, in 2012 it went down by 11.8% – to LTL 794.7 thousand, in 2013 it went up by 12.3% – up to LTL 892.5 thousand, and in 2014 – by 1.5 times up to LTL 1,252.4 thousand. Since the largest portion of the compensation for damage belongs to the members of the European Express Association and their delivery services are relatively more expensive than those of traditional postal service providers, in 2014 the average amount of the compensation for damage per complaint was LTL 160.2. Postal service providers may set a higher amount of the compensation for damage than the amount provided for in the Postal Law of the Republic of Lithuania.

[7] According to Article 12(5) of the Postal Law, where, through the fault of a provider of postal services, postal items become lost or damaged, articles (merchandise) are missing or damaged therein or the articles (merchandise) are damaged, the provider of postal services shall pay compensation:

1) for a lost registered postal item, as well as for part of lost or damaged articles (merchandise) contained therein or for all articles (merchandise) contained therein – by an amount equal to double posting expenses;
2) for a lost insured postal item – by an amount equal to posting expenses plus insured value;
3) for some of the contents lost or damaged in an insured postal item accompanied by a list of contents – by an amount equal to posting expenses and the value of the lost or damaged article (merchandise) indicated in the list of contents, which may in no case exceed the insured value of the whole insured postal item.

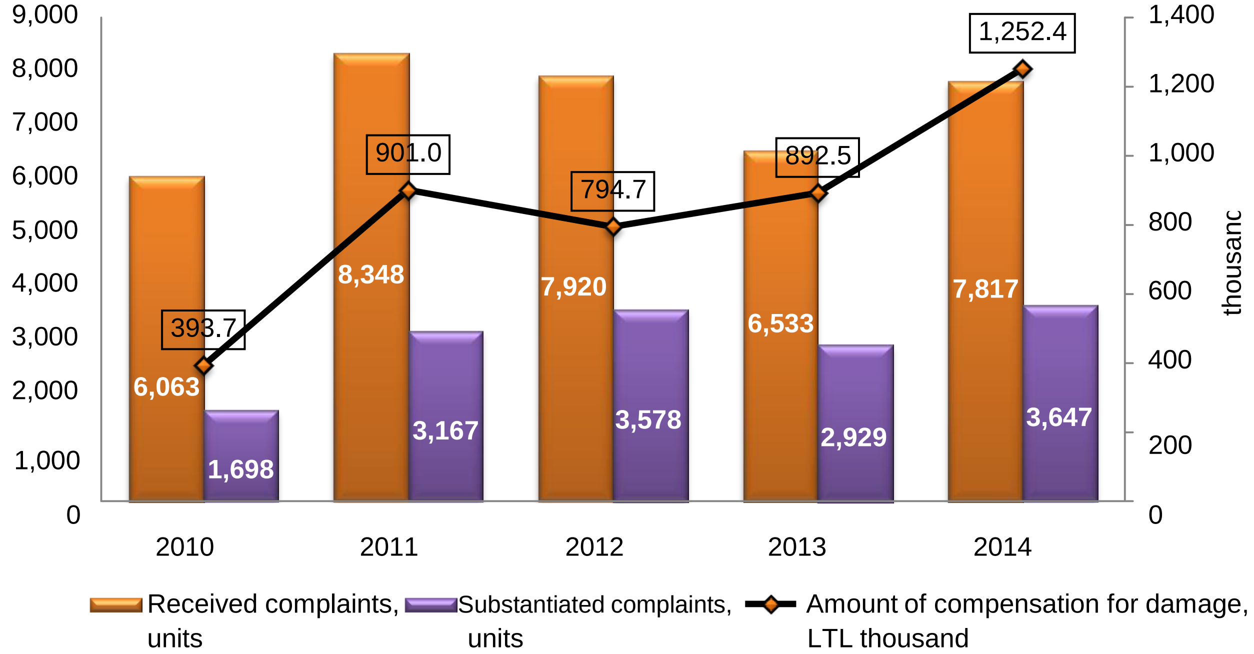



**Fig. 14. Dynamics of the number of received and substantiated complaints and the amounts of compensations for damage in 2010-2014, units, LTL thousand**

The provider of universal postal services (UPS) AB "Lietuvos paštas" is obligated to implement Standard LST EN 14012:2009 "*Postal services - Quality of service - Complaints handling principles*"[8]. AB "Lietuvos paštas" registers and investigates complaints in accordance with the aforementioned standard and submits the reports on the investigation of UPS complaints to the RRT.

In 2014 AB "Lietuvos paštas" received a total of 2,050 complaints from postal service users regarding the provision of UPS (by 16.5% more than in 2013), of which 1,334 complaints were subject to domestic postal items (by 14.5% more than in 2013) and 716 complaints were on cross-border postal items (by 20.3% more than in 2013) (see Fig. 15). In 2014, compared to 2013, the portion of complaints regarding domestic postal items of the total number of complaints regarding the provision of UPS decreased from 66.2% to 65.1%. The portion of complaints regarding cross-border postal items of the total number of complaints increased from 33.8% in 2013 to 34.9% in 2014.

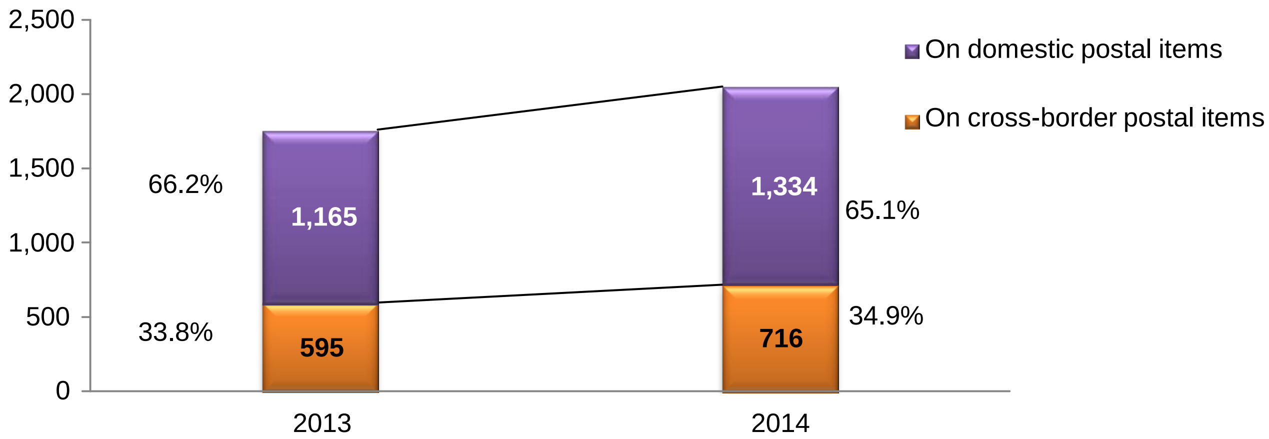



**Fig. 15. The structure of complaints from UPS users in 2013-2014, in units, %**

[8] The description of Standard LST EN 14012:2009 is available on the website of the Lithuanian Standards Board.

706 complaints out of 2,050 complaints regarding the provision of UPS received in 2014 were substantiated (in 2013 – 514), of which 66 cases were subject to compensations paid to UPS users (which is by 24.5% more than in 2013).

UPS users were mainly complaining about the clearance or delivery of postal items – 1,019 complaints (by 30.3% more than in 2013). UPS users were also complaining about damaged postal items (302 complaints – by 51.8% more than in 2013), missing or delayed postal deliveries (254 complaints – by 17.5% less than in 2013), behaviour and competence of postal personnel (107 complaints – by 50.7% more than in 2013), and about wrong delivery of postal items (61 complaints – by 15.1% more than in 2013) (see Fig. 16). 99.7% of complaints are investigated within a standard time-frame[9] – the average deadline for providing the final response to the user is 7.8 days. In 2013, 99.8% of complaints were investigated within the standard time-frame, and the average period for providing the users with the final responses was 7.3 days.

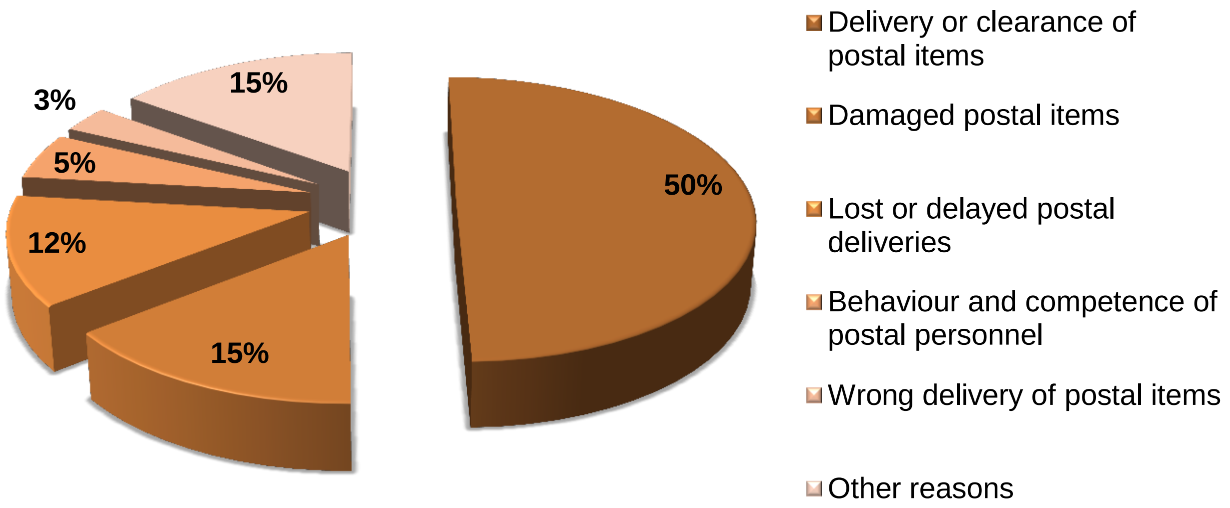



**Fig. 16. The chart of reasons for UPS complaints in 2014, %**

[9] The standard time-frame for investigating the complaints by AB “Lietuvos paštas”:

- no more than 30 calendar days for complaints on domestic UPS and other postal services;
- no more than 40 calendar days for complaints on cross-border postal services provided between the developed countries;
- no more than 60 calendar days for complaints on cross-border postal services provided between countries other than the developed countries.

# 2. MARKET OF TRADITIONAL POSTAL SERVICES[10]

## 2.1. Overall Market of Traditional Postal Services

The volumes of letter-post items was gradually decreasing till 2012; however, after the reserved field of postal services was cancelled on 1 January 2013[11], a part of undertakings which had been previously providing courier services transferred their operations to the traditional postal market and started providing the services of recorded delivery of postal items rather than providing items to addressees' boxes for incoming deliveries. Consequently, in 2013 the total **volume of letter-post items** sent by all postal service providers by means of traditional postal services increased by 6.4% (from 59.9 to 63.8 million units) (see Fig. 17). In 2014 the growth stood at 4.8% (from 63.8 to 66.8 million units). The total growth of the volume of letter-post items sent by means of traditional postal services in 2010-2014 constituted 11.5%.

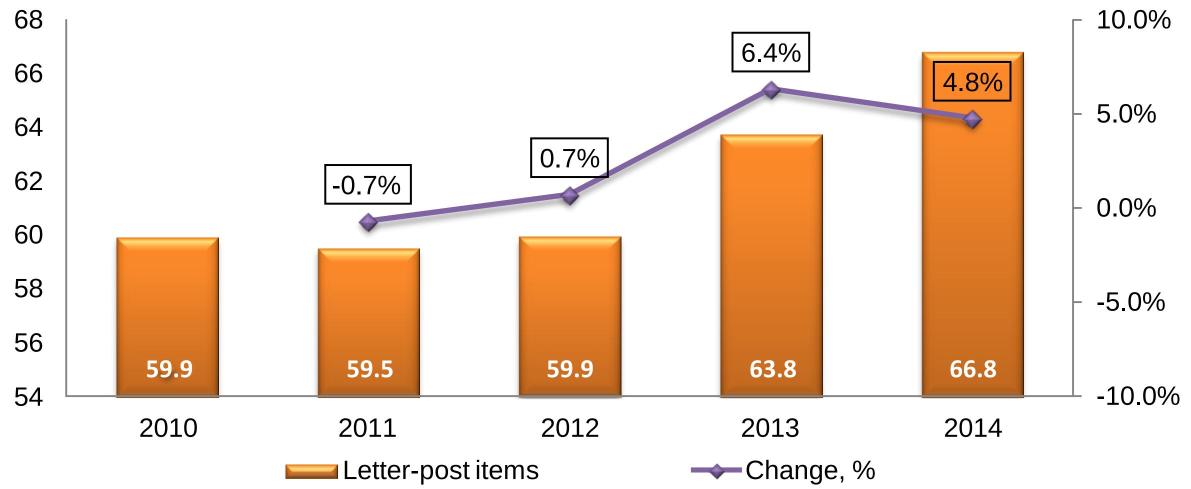



**Fig. 17. Dynamics and changes in the volume of letter-post items sent by means of traditional postal services in 2010-2014, millions of items, %**

The **volumes of postal parcels** sent by postal service providers over the postal network were annually decreasing between 2010 and 2013: in 2011 – 10.7% (to 547.5 thousand items), in 2012 – 14.3% (to 469.3 thousand items), in 2013 – 11.7% (to 414.6 thousand items) (see Fig. 18). In 2014 the volume of parcels sent by means of traditional postal services grew by as much as 57.1%, up to 651.3 million items. This growth was mainly impacted by the increasing popularity of e-commerce and self-service parcel terminals due to their convenience. Between 2010 and 2014 the total volume of postal parcels in the traditional postal service market went up by 6.2%.

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[10] In this overview traditional postal services mean universal postal services and the delivery of postal items to addressees' boxes for incoming deliveries.

[11] To the extent necessary to ensure the permanent provision of universal services, the services reserved for a universal postal service provider were the clearance, distribution, transport, delivery and handing in of items of domestic correspondence, direct mail and incoming cross-border items of correspondence within the established weight and price limits. As of 1 January 2006 the weight limit of 50 grams has been applied to the postal items within the reserved area. Until 1 January 2013 providers of postal services were obliged to provide reserved postal services by applying a tariff of at least two-and-a-half-times the tariff for a letter-post item in the first weight step set to a universal postal service provider.

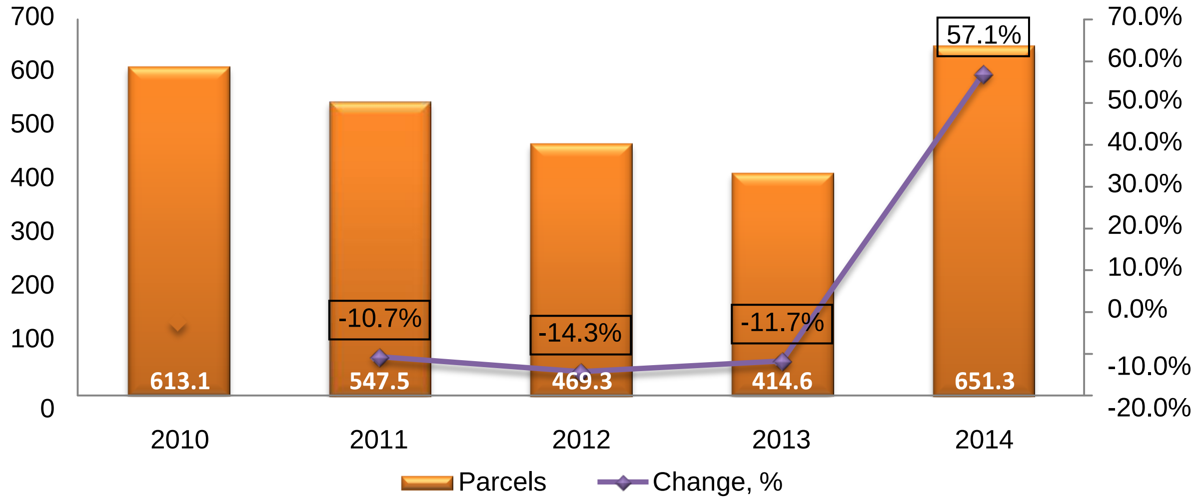


**Fig. 18. Dynamics and changes in the volume of postal parcels sent by means of traditional postal services in 2010-2014, thousands of items, %**

Between 2010 and 2012, the **volume of domestic[12] letter-post items** sent by postal service providers was gradually decreasing: in 2011 – 4.5%, in 2012 – 2.1%, and in 2013-2014 it was going up: in 2013 – 7.9%, in 2014 – 3,7% (see Fig. 19). The total growth of the volume of domestic letter-post items in 2010-2014 accounted for 4.7%.

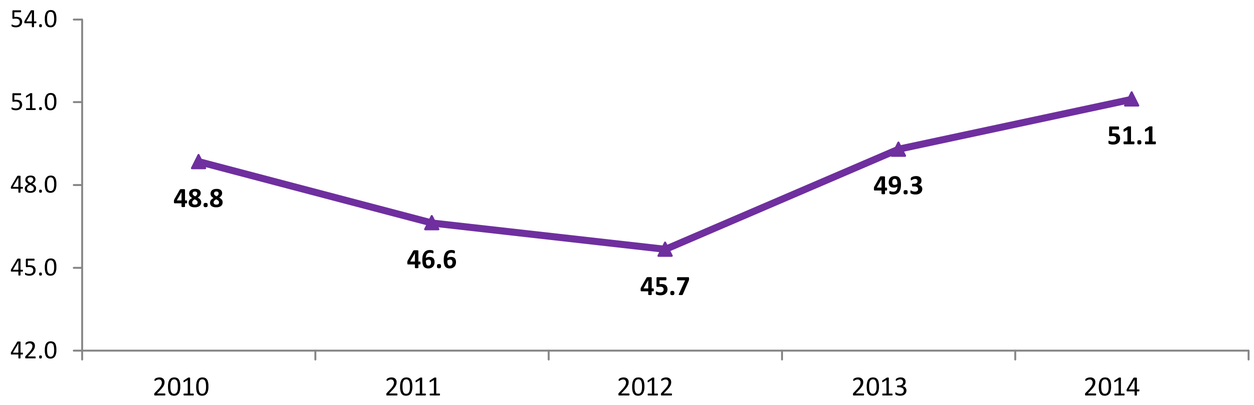


**Fig. 19. Dynamics of the volume of sent domestic letter-post items in 2010-2014, millions of items**

During the period between 2010 and 2014, the volume of sent **domestic postal parcels** was rapidly decreasing: in 2011 – 12.8%, in 2012 – 27.3%, and in 2013 – 32.4% (see Fig. 20). In 2014 the volume of sent domestic postal parcels went up by 2.3 times – from 202.4 thousand items to 460.5 thousand units. As mentioned before, such growth in 2014 was highly influenced by the development of e-commerce and increasing popularity of self-service parcel terminals.

[12] Internal market means a market that covers the territory of the Republic of Lithuania. Domestic postal item means an item that is sent or received within the territory of the Republic of Lithuania.

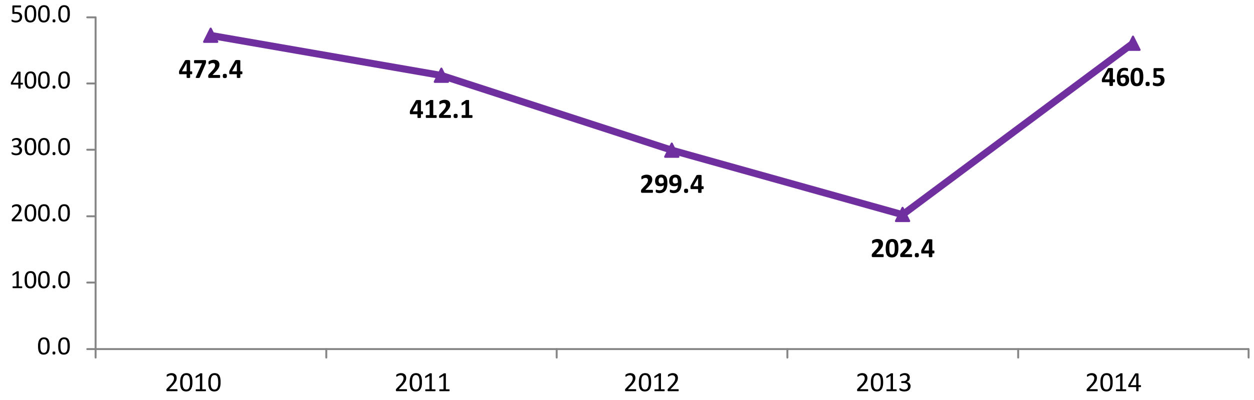


**Fig. 20. Dynamics of the volume of sent domestic postal parcels in 2010-2013, thousands of items**

The evaluation of the postal service market by the volume of sent and received **cross-border letter-post items** shows that the volume of received cross-border letter-post items exceeds the volume of sent ones (see Fig. 21). Between 2010 and 2014 the volumes of both sent and received cross-border letter-post items were constantly fluctuating. The volume of sent letter-post items was growing in 2011 and 2012, 28.1% and 82.3% respectively, while in 2013-2014 it was going down, 15.2% and 0.7% respectively. In 2011 the volume of received letter-post items grew by 12.2%, in 2012 it went down by 17.8%, and in 2013-2014 it started increasing again, 15.9% and 14.6% respectively. From 2010 to 2014 the total increase of the volumes of sent and received letter-post items was as follows: sent items – 36.8%, received items – 35.7%.

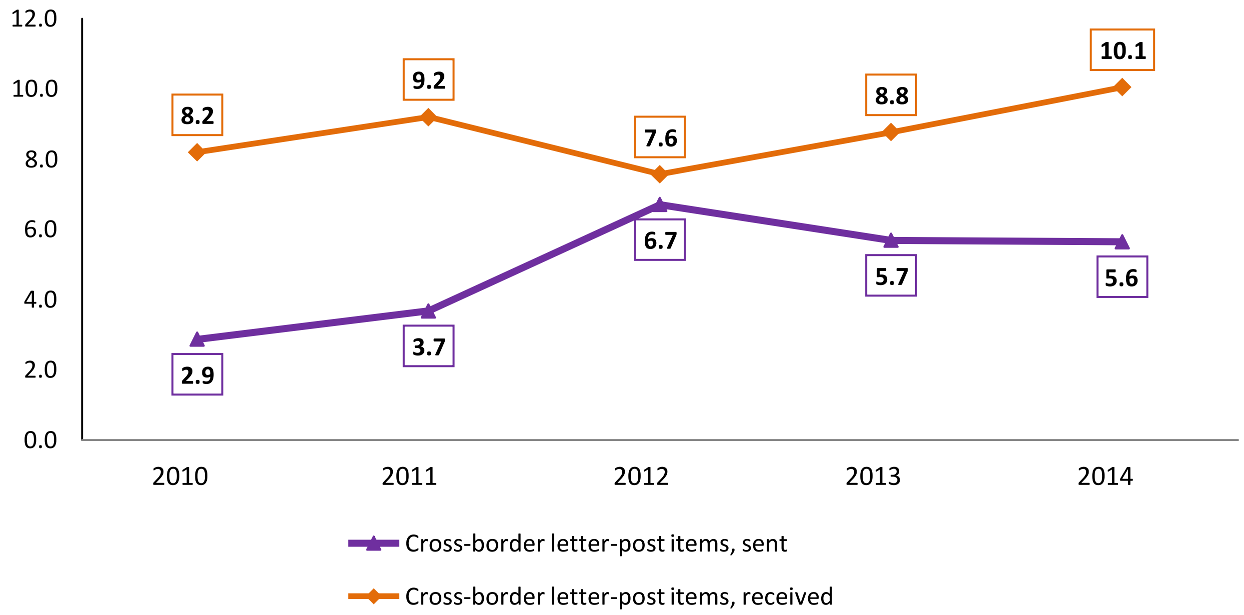


**Fig. 21. Dynamics of the volumes of sent and received cross-border letter-post items in 2010-2014, millions of items**

In 2010-2011 the **volumes of** received **cross-border postal parcels** were higher than those of sent cross-border postal parcels. However, in 2012-2013 the volume of sent cross-border postal parcels increased significantly and exceeded the volume of received parcels (see Fig. 22). The volumes of received cross-border postal parcels were constantly varying during the period in question: in 2011 they went down by 9.0%, in 2012 – by 7.3%, in 2013 they went up by 2.7%, and in 2014 they shrank again by 13.4%.

The volume of sent cross-border postal parcels was annually increasing from 2010 to 2013: in 2011 – 2.3%, in 2012 – 59.1%, and in 2013 – 38.1%. This increase could be affected by emigration, where parcels from Lithuania were sent to those who went abroad. In 2014 the volume of sent cross-border postal parcels went down by 13.4%. The total volume of cross-border postal parcels grew between 2010 and 2014: sent parcels – 3.5 times, received parcels – 5.5%.

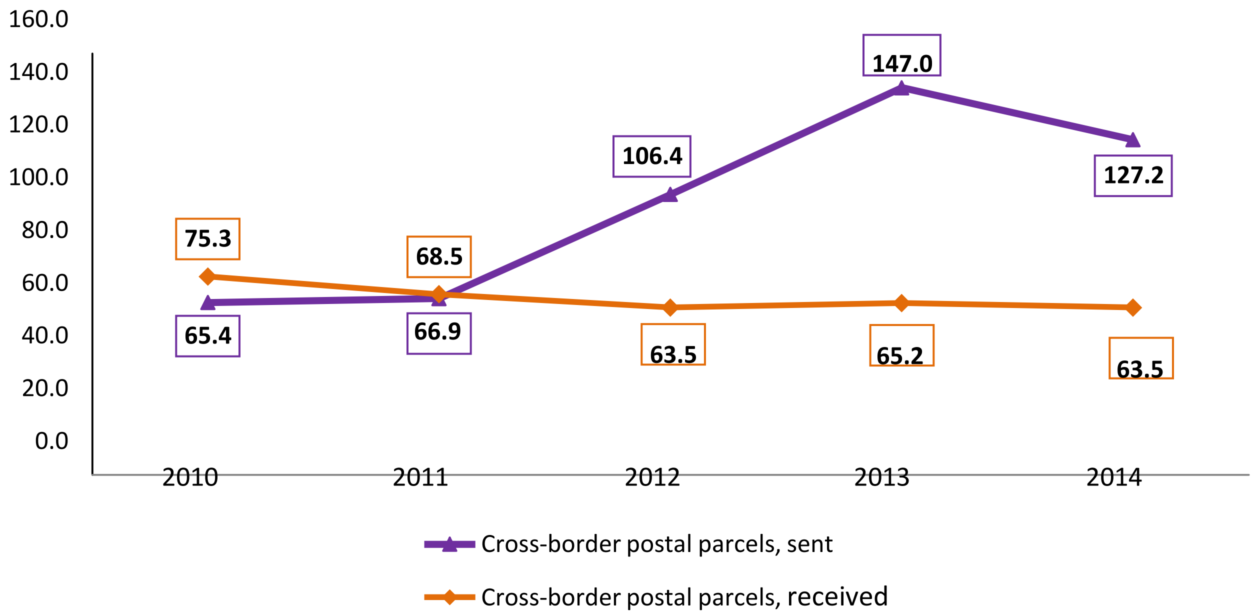


**Fig. 22. Dynamics of the volume of sent and received cross-border postal parcels in 2010-2014, thousands of items**

The total **revenue** of all postal service providers **from the provision of traditional postal services** between 2010 and 2014 was gradually increasing: in 2011 – 8.8%, in 2012 – 7.9%, in 2013 – 23.4%, and in 2014 – 7.6% (see Fig. 23). In 2014 there was the highest level of revenue from the provision of traditional postal services – LTL 160.7 million. Since 2010 the total revenue from the provision of this service has increased by 56.0% (i.e. 1.6 times).

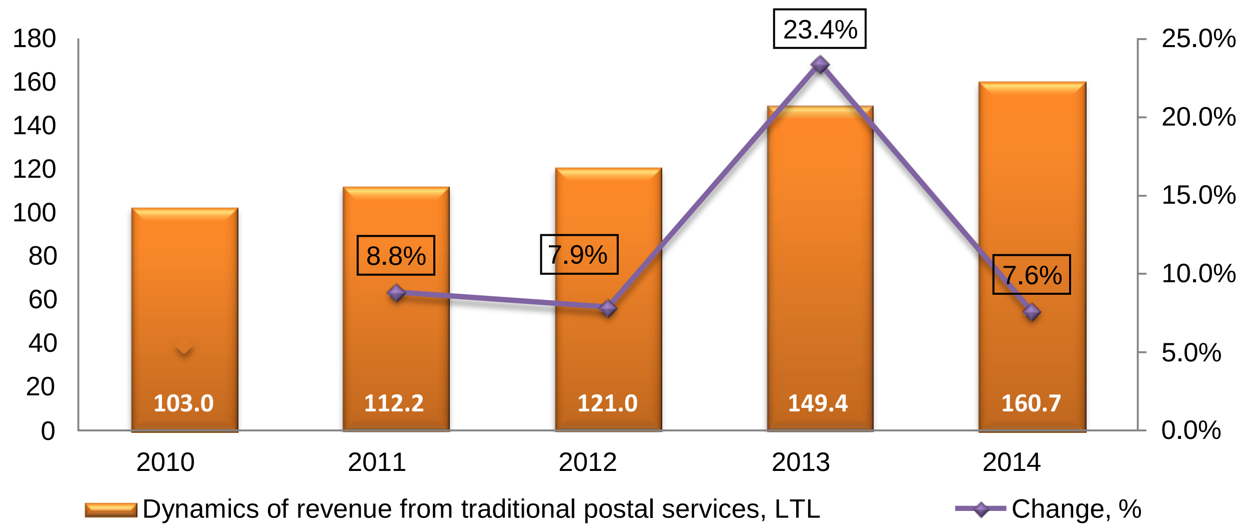


**Fig. 23. Dynamics of revenue from the provision of traditional postal services in 2010-2014, LTL million**

In 2014 the increase of the volume of letter-post items by 4.8% led to the increase of income by 10.6% – up to LTL 114.3 million; the increased volume of postal parcels by 57.1% led to the raised income by 5.4% (see Table 5).

**Table 5. The structure of and changes in revenue of the traditional postal services in 2013-2014**

| Indicator | | 2013 LTL | 2014 LTL | Change, % 2014/2013 |
|---|---|---|---|---|
| Revenue from the provision of traditional postal services, | | 149,362,019 | 160,744,235 | 7.6% |
| of which: | from letter-post items | 103,345,285 | 114,314,827 | 10.6% |
| | from postal parcels | 11,949,795 | 12,600,851 | 5.4% |
| | from other postal services and post-related services | 34,066,939 | 33,828,557 | -0.7% |

Although the revenue from letter-post items was growing between 2010 and 2014, its portion in the total revenue from traditional postal services was gradually declining: in 2010 it accounted for 81.7%, in 2011 – 80.3%, in 2012 – 79.4%, in 2013 – 69.2% and only in 2014 its portion slightly increased – by 1.9% (see Fig. 24). The revenue portion from parcels varied differently: in 2010 it accounted for 8.5%, in 2011 – 7.9%, in 2012 the portion of postal parcels slightly increased – up to 8.7%, in 2013 it went down to 8.0%, and in 2014 it shrank to 7.8%. The portion of the revenue received by postal service providers from other traditional postal services was further increasing in 2010-2013: in 2010 it accounted for 9.8%, in 2011 – 11.8%, in 2012 – 12.0%, in 2013 – 22.8%. In 2014 this portion decreased by 1.8% – to 21.0%. This growth resulted from the amendments of the Postal Law of the Republic of Lithuania and law-related statistical statements: attribution of unaddressed direct mail to postal and other related services.

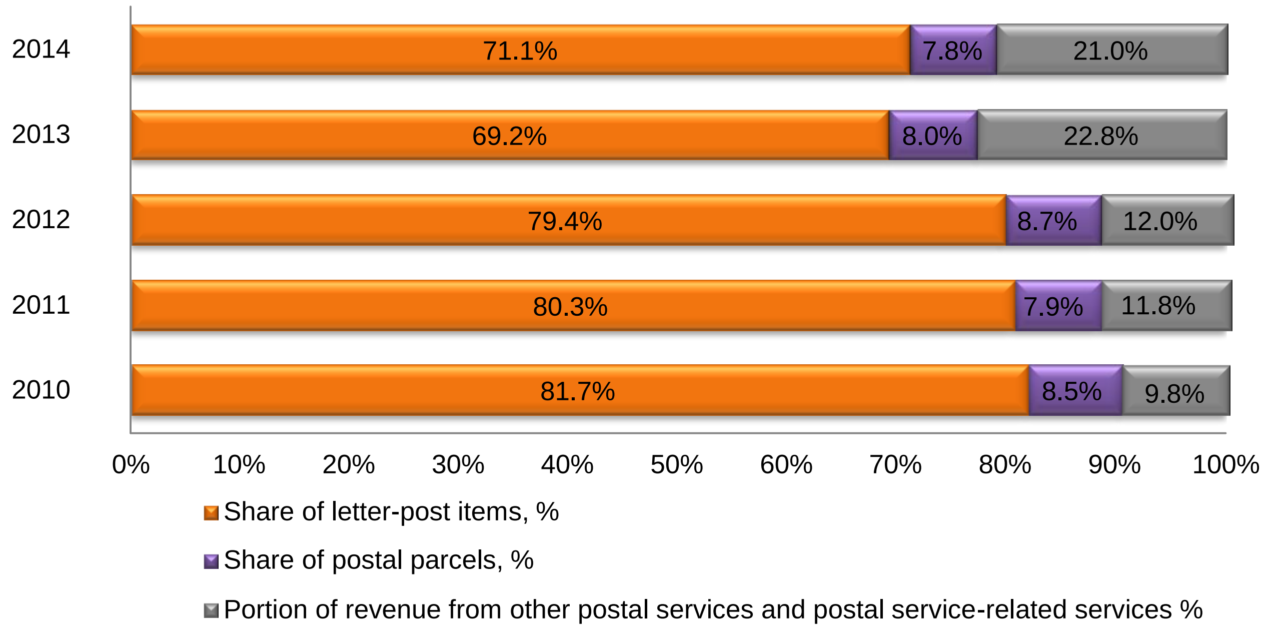


**Fig. 24. Structure of revenue from the provision of traditional postal services in 2010-2014, %**

In terms of revenue from the provision of traditional postal services, AB “Lietuvos paštas” held the largest market share – 90.8% of the market in 2014 (see Fig. 25).

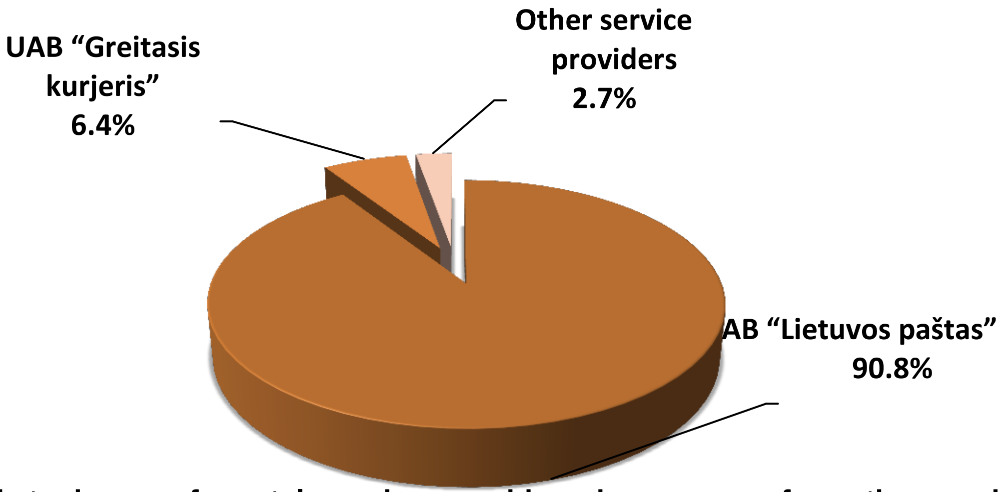


**Fig. 25. Market shares of postal service providers by revenue from the provision of traditional postal services[13], % 2014**

## 2.2. Provision of Universal Postal Services

AB “Lietuvos paštas”, an undertaking obligated to provide UPS[14] in the whole territory of the Republic of Lithuania, shall be obliged to ensure the permanent provision of UPS in the territory of the country without discrimination against all users of these services on a working day basis and not less than five days a week. Since AB “Lietuvos paštas” has directed a substantial amount of investment in the development of the postal network, pursuant to the EU Postal Directive, it has been given a sufficient period for the return on investments. Taking account of the above, the obligation to ensure the permanent provision of UPS has been imposed for a period of 7 years until 31 December 2019.

UPS providers shall observe the obligatory characteristics of public postal networks[15], which define the conditions for the distribution of the points of access to UPS and the requirements for the installation of such points. According to the above-mentioned characteristics, the provider of UPS shall install a number of access points that would be sufficient to satisfy the needs of users. The characteristics of the postal network are aimed at ensuring that UPSs are accessible to every resident of the Republic of Lithuania.

### 2.2.1. Postal Network

The postal network consists of stationary UPS access points, i.e. stationary post offices and post office divisions (in urban and rural areas), UPS access points served by mobile post offices (usually in rural residential areas) and boxes for outgoing mail. Taking account of the established characteristics of the postal network and seeking to optimize activity results, the UPS provider reduced the number of stationary post offices between 2010 and 2014: in 2011 − 3.3%, in 2012 – 1.7%, in 2013 – 1.9%, and in 2014 – by further 2.8% (see Fig. 26).

[13] This includes only such undertakings whose market share held constituted more than 1%.
[14] According to Article 14 of the Postal Law, effective as of 1 January 2013, UPS shall include the clearance, sorting, transport and delivery of postal items of up to 2 kg; the clearance, sorting, transport and delivery of postal parcels of up to 10 kg; the clearance, sorting, transport and delivery of registered or insured postal items; the delivery of postal parcels of up to 20 kg received from other Member States of the European Union.
[15] These characteristics have been set forth by Order No 3-46 of the Minister for Transport and Communications of the Republic of Lithuania of 25 January 2013 “On the Approval of the Characteristics of the Public Postal Network of the Provider of the Universal Postal Services” (*Official Gazette*, 2013, No 11-541).

The number of mobile post offices, i.e. vehicles specially adapted for the delivery of letter-post items, postal parcels, as well as for the provision of other services,which arrive in rural residential areas at a designated time, remained stable between 2009 and 2011, but during the period from 2012 to 2013 it decreased by one unit, from 28 to 27.

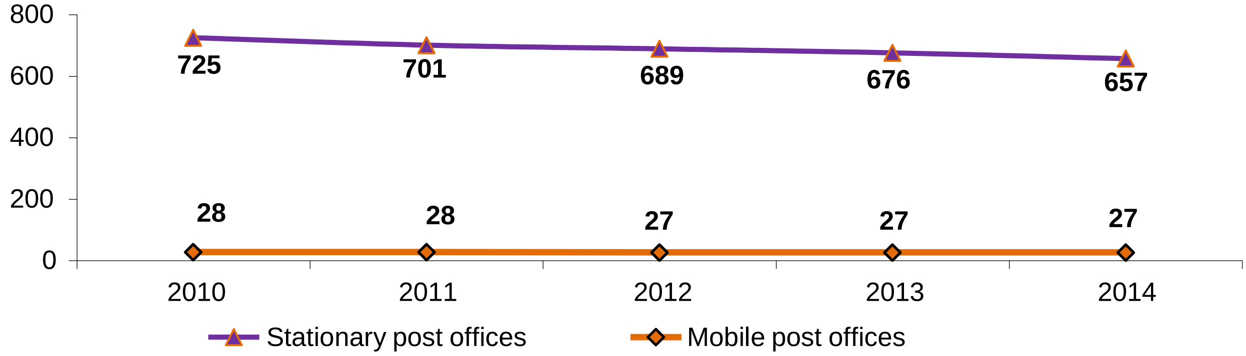


**Fig. 26. Dynamics of the number of stationary and mobile post offices between 2010 and 2014, in units**

In 2010 28 mobile post offices served 135 UPS access points; in 2011 28 mobile post offices served already 138 UPS access points (see Fig. 26). In 2012 the number of mobile post offices decreased to 27, which served 133 UPS access points, in 2013 – 134 UPS access points, and in 2014 27 mobile post offices served 132 UPS access points.

Between 2010 and 2014 the number of UPS access points served by mobile post offices was ranging differently: in 2011 it increased by 2.2%, in 2012 it decreased by 3.6%, in 2013 it went up again by 0.8% and in 2014 it went down by 1.5%. Meanwhile, the number of stationary UPS access points was going down every year: in 2011 − 3.0%, in 2012 – 1.7%, in 2013 – 1.1%, and in 2014 – 2.3%.

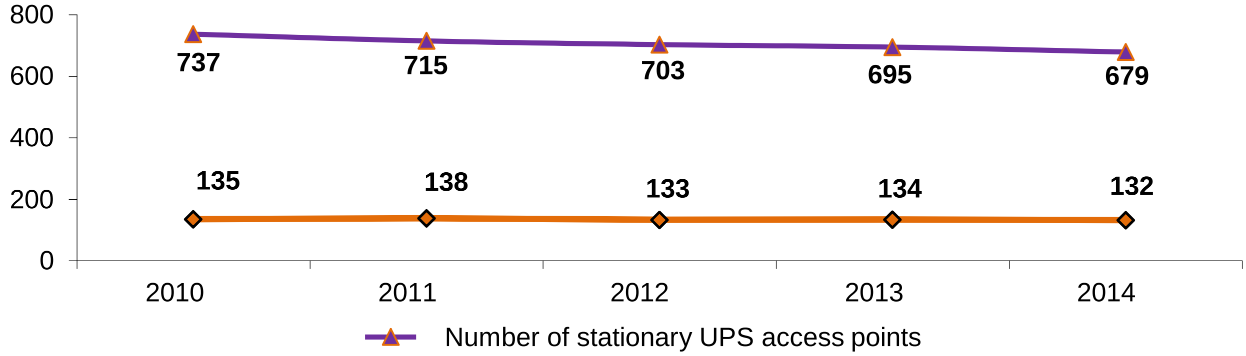


**Fig. 26. Dynamics of the number of stationary and mobile UPS access points between 2010 and 2014, in units**

Stationary UPS access points are located in both urban and rural areas. In rural residential areas, the network of stationary UPS access points consists of both stationary access points and those served by mobile post offices. In 2010-2014 the number of stationary UPS access points in both urban and rural areas was steadily decreasing (see Fig. 27): in urban areas post offices were moved to locations more convenient to users (closer to shopping centres and other places frequently visited by users), in rural areas stationary post offices were replaced by mobile ones or they were closed by assigning the territory served by them to other post offices located nearby. In 2010-2014 the largest fall was in the number of stationary UPS access points in rural areas – 9.3%, in urban areas – 4.5%. In rural areas the number of UPS access points went down by 3.1% in 2011, in 2012 – by 2.0%, in 2013 – by 1.4%, and in 2014 – by further 3.1%. In urban areas, the number of stationary UPS access points was decreasing accordingly: in 2011 – 2.7%, in 2012 – 0.9%, in 2013 – 0.5%, and in 2014 – further 0.5%. In 2010-2014 the number of stationary UPS access points located in urban areas accounted for 30% of the total number of stationary

UPS access points, and the number of those in rural areas – around 70% (in 2014 – 31.2% and 68.8% respectively).

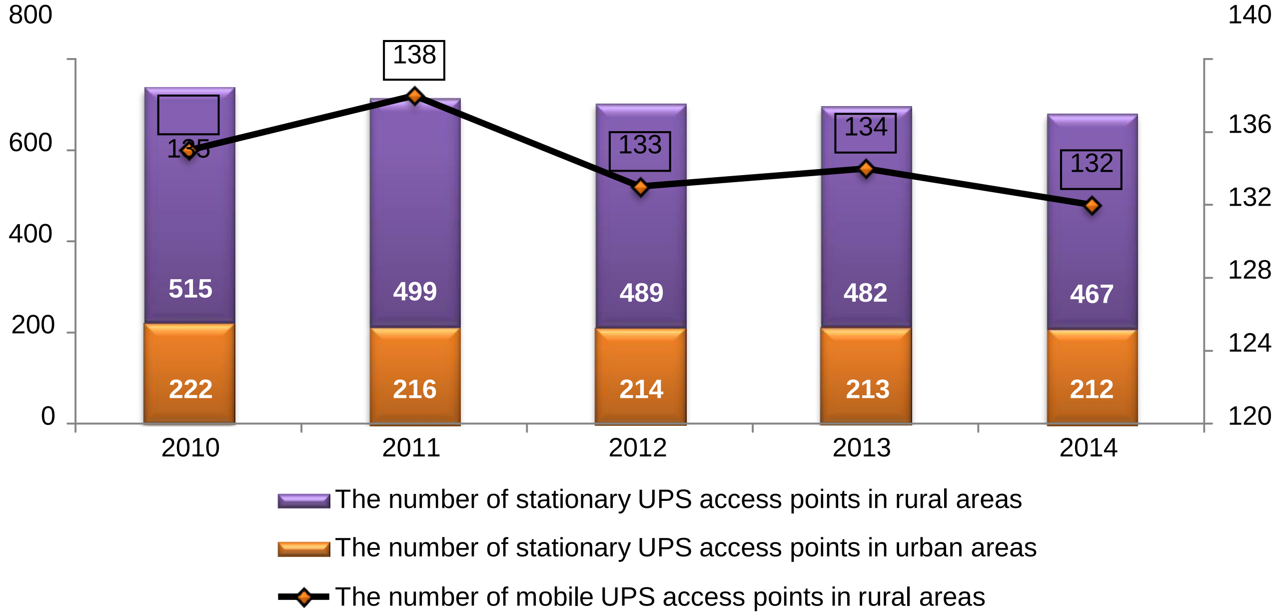


**Fig. 27. Change in the number of stationary and mobile UPS access points in urban and rural areas in 2010-2014, in units**

Between 2010 and 2014 the number of post boxes for outgoing mail was gradually declining: in 2011 – 2.1%, in 2012 – 5.9%, in 2013 – 3.0%, and in 2014 – further 10.7% (see Fig. 28). In 2010-2014 the total number of post boxes for outgoing mail dropped by 20.2%. This decrease in the number of post boxes for outgoing mail is related to the aforementioned changes in the postal network.

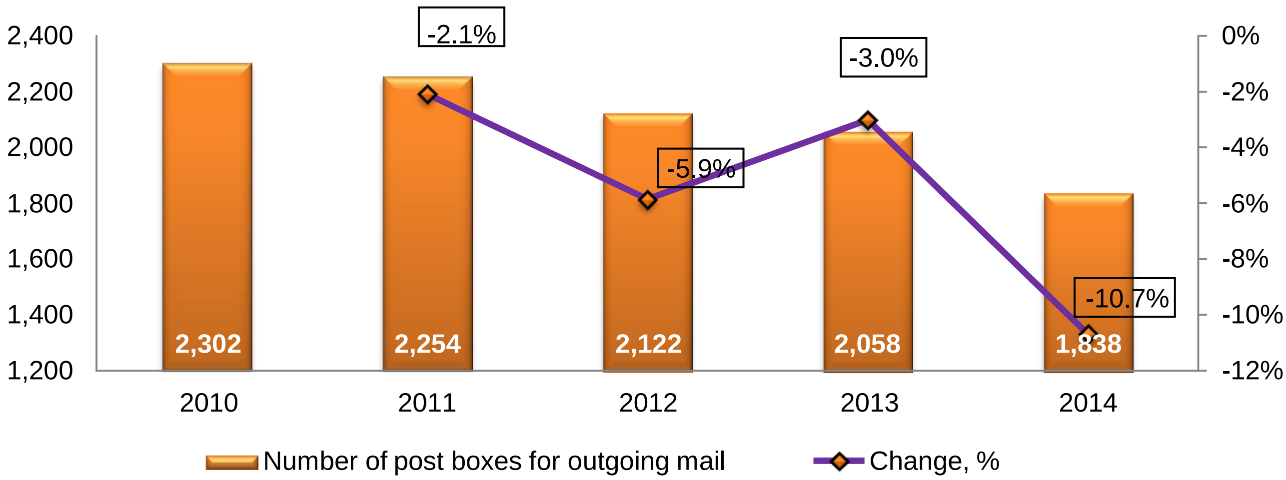


**Fig. 28. The number of and changes in the number of post boxes for outgoing mail in 2010-2014, in units, %**

Between 2010 and 2014 rural areas witnessed the steepest decline in the number of post boxes for outgoing mail: in rural areas the number of post boxes for outgoing mail declined by 29.3% and in urban areas – by 9.3% (see Fig. 29).

In 2011 the number of post boxes for outgoing mail in rural areas decreased by 12.9%, in 2012 it increased by 3.8%, in 2013 it fell again by 4.3%, and in 2014 it went down by 18.2% (to 885 units). In 2010-2014 the number of post boxes for outgoing mail in urban residential areas varied accordingly: in 2011 it increased by 10.8%, in 2012 it fell by 14.9%, in 2013 it went down by 1.5% and in 2014 it further decreased by 2.4% (to 953 units).

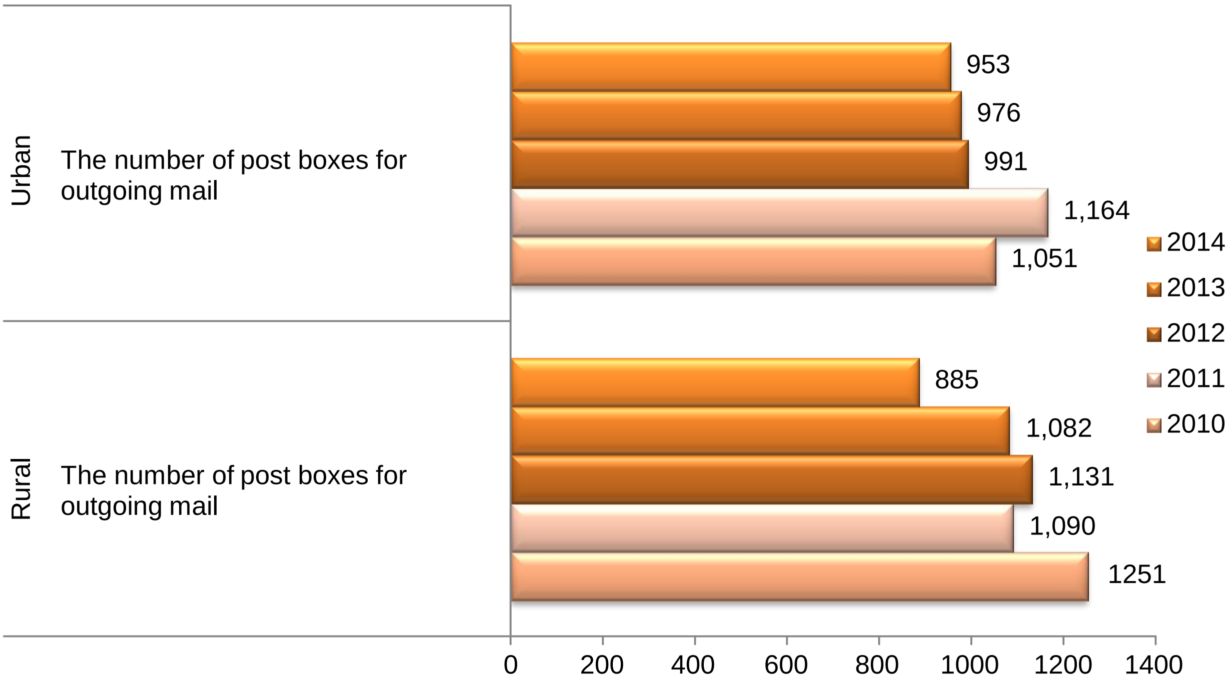


**Fig. 29. Distribution of the number of post boxes for outgoing mail between urban and rural areas in 2010-2014, in units**

Between 2010 and 2014 the number of post boxes for incoming deliveries was steadily increasing: in 2011 – by as many as 33.9%, in 2012 – by further 0.5%. However, in February 2013 after the survey conducted by AB "Lietuvos paštas" the number of post boxes for incoming deliveries was revised and it decreased significantly – to 1,115 thousand units, i.e. by 31.8% less than in 2012. In 2014 this number remained unchanged (see Fig. 30).

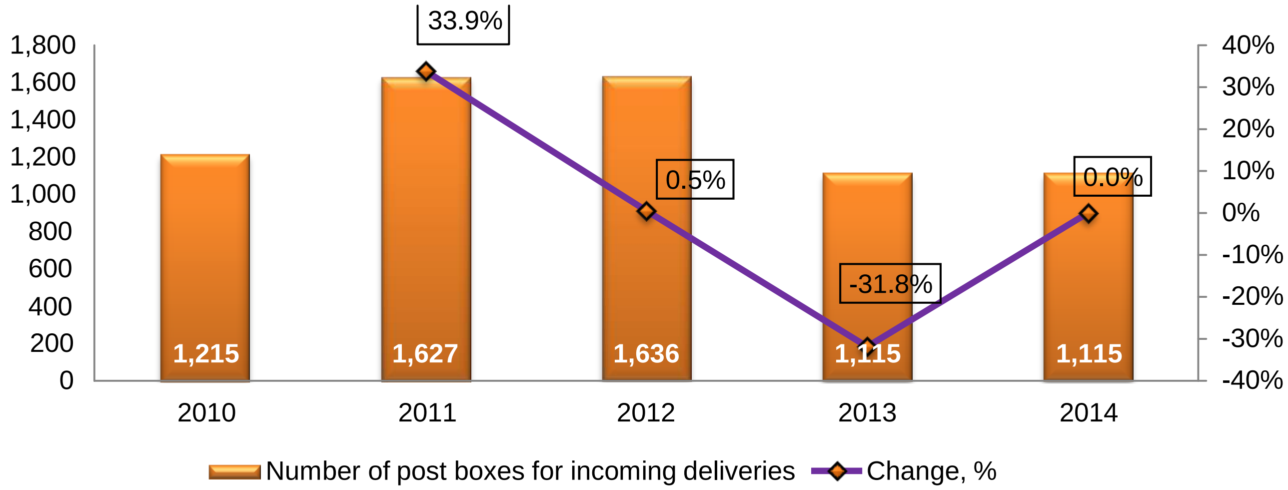


**Fig. 30. The number of and changes in the number of post boxes for incoming deliveries in 2010-2014, in units, %**

Between 2011 and 2012 the number of post boxes for incoming deliveries in urban areas was increasing: in 2010-2011 there was a significant growth – 9.6% and 28.8% respectively, and in 2012 – 0.6% (see Fig. 31). This was associated with the construction of new residential areas and private houses. In 2013 the number of post boxes in urban areas decreased by 34.3% and in 2014 it remained unchanged. As mentioned before, the changes in 2013 were affected by the results of the conducted survey. In 2011 the number of post boxes for incoming deliveries in rural areas went up by 55.9%, in 2012 it further increased by 0.3%, in 2013 it fell by 22.8%, and in 2014 it remained unchanged.

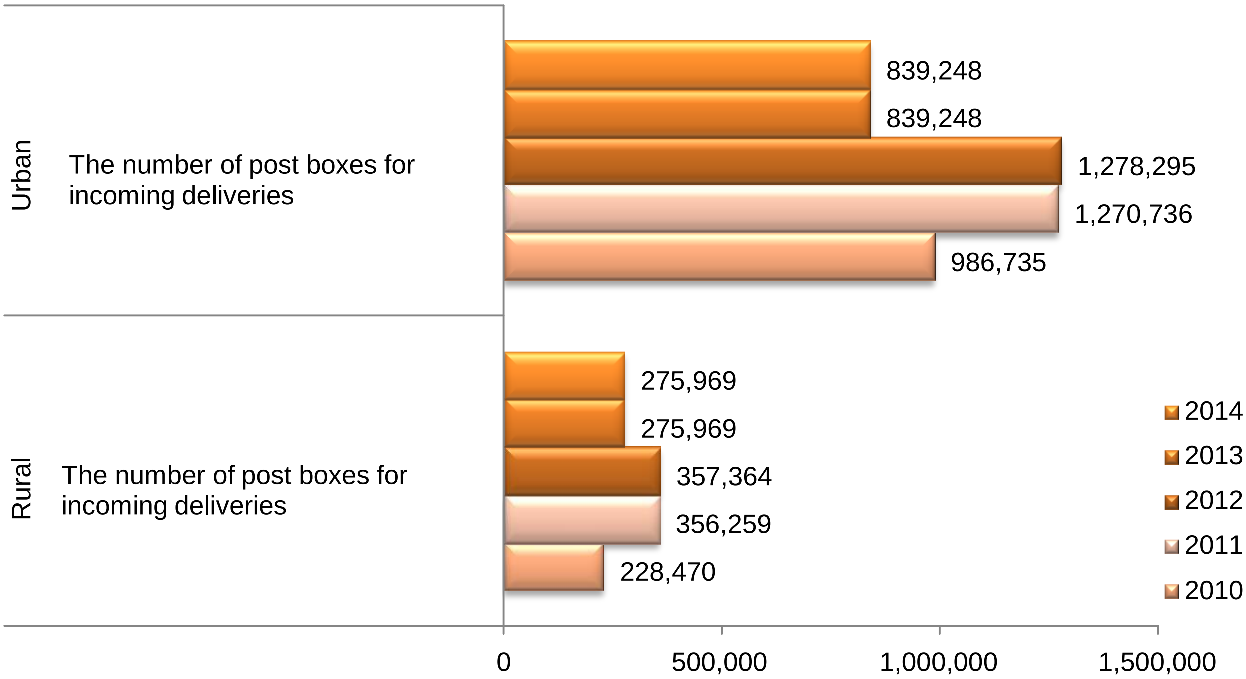


**Fig. 31. The change in the number of post boxes for incoming deliveries in rural and urban areas in 2010-2014, in thousands of units**

### 2.2.2. Monitoring of the Quality of Universal Postal Services

Pursuant to the Postal Law, the RRT supervises how a provider of UPS organises an independent monitoring of the quality of UPS. AB "Lietuvos paštas", as the UPS provider, is obligated to implement Standard LST EN 13850 *"Postal services - Quality of service - Measurement of the transit time of end-to-end services for single piece priority mail and first class mail"*[16]. An independent internal monitoring of the transit time of end-to-end services for ordinary priority mail items carried out in 2014 revealed that 85.40% of priority letter-post items were delivered on the working day following the dispatch (D+1) (in 2013 – 90.03%), and 98.40% of priority letter-post items were delivered on the third working day following the dispatch (D+3) (in 2013 – 99.56%) (see Table 6).

**Table 6. Results of measurement of the transit time of end-to-end services for single piece priority letter-post items, qualitative indicators in Lithuania, 2013-2014, %**

| | **Delivery quality indicators (term D[17]+n[18])** | | |
|---|---|---|---|
| | **D+1** | D+2 | **D+3** |
| 2012 | 85.86 | 98.05 | 99.71 |
| 2013 | 90.03 | 98.10 | 99.56 |
| 2014 | 85.40 | 96.20 | 98.40 |

*Sources: UAB "Europos Tyrimai" (2012) and UAB "Spinter Tyrimai" (2013 and 2014)*

[16] Order No 3-128 of the Minister of Transport and Communications of the Republic of Lithuania of 28 February 2013 "On the Approval of the Description of the Requirements for Quality of Universal Postal Services".
[17] D means the day of dispatching letter-post items.
[18] n means the number of working days from the day of dispatching a letter-post item to its delivery to the addressee.

The indicators of item delivery by AB "Lietuvos paštas" in 2013 and 2014 were better than those set forth in the Requirements for Quality of UPS by the Ministry of Transport and Communications of the Republic of Lithuania, i.e. on the working day following the dispatch **D+1 – 85%** and **D+3 – 97%** (see Fig. 32)**.** In the course of the monitoring carried out in 2014, the number of sent test items totalled to 6,600.

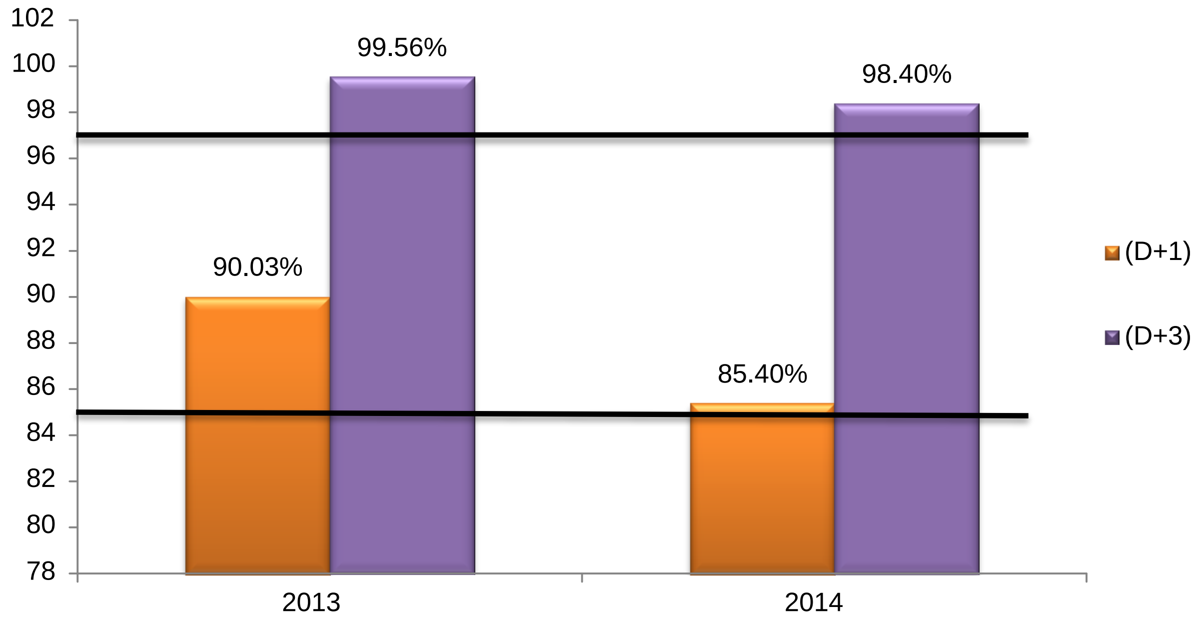


**Fig. 32. Indicators of delivery of D+1 and D+3 single piece priority letter-post items**

### 2.2.3. Indicators of Universal Postal Services

Following the entry of the new Postal Law of the Republic of Lithuania into effect on 1 January 2013, the scope of UPS was significantly reduced. Considering the above, UPS indicators were much lower in 2013 and subsequent year than before. In 2011 the volume of UPS decreased by 2.9% (see Fig. 33). In 2012 the volume of UPS increased by 2.1%, but it fell significantly in 2013: from 49.7 million items in 2012 to 17.4 million items in 2013, i.e. by 65.0%. In 2014 the volume of UPS increased by 1.9%. The evaluation of the data for the period from 2010 to 2014 showed that the volume of provided UPS was highest in 2010 (50.1 million items). In 2014, compared to 2010, the volume of UPS was lower by 2.8 times.

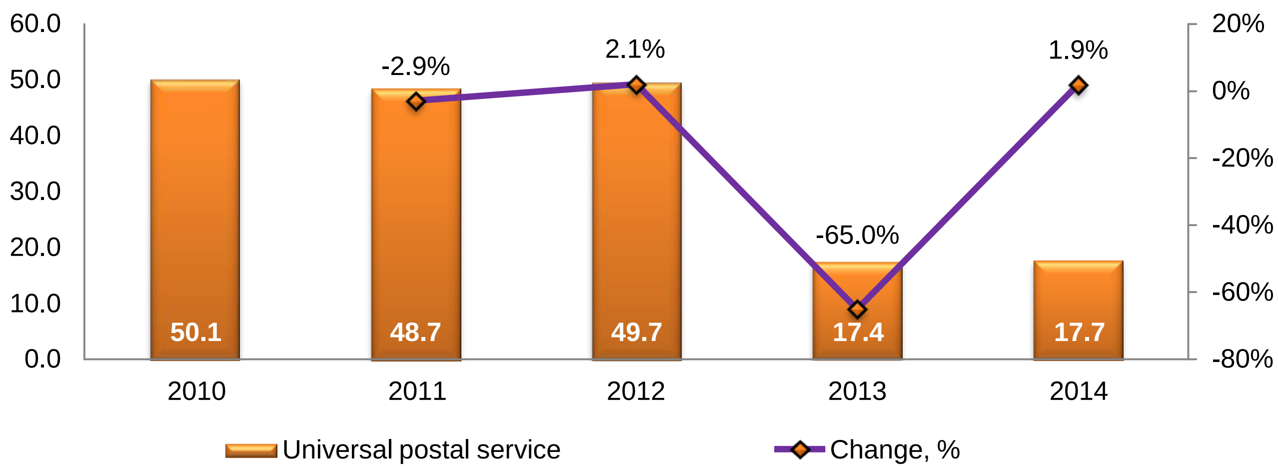


**Fig. 33. Dynamics and changes in the volume of UPS between 2010 and 2014, millions of items, %**

Volumes of and revenue from UPS include the following: volumes of and revenue from letter-post items of up to or equal to 2 kg, postal parcels of up to or equal to 10 kg, postal parcels weighing over 10 kg and up to or equal to 20 kg received from the EU, registered and insured postal items. Between 2010 and 2014, letter-post items of up to or equal to 2 kg constituted the major share of UPS (see Fig. 34). It may be noted that during the period of 2010-2014 the share of letter-post items was steadily declining: from 83.7% in 2010 to 70.6% in 2014. During the same period the share of registered postal items increased from 15.1% in 2010 to 28.3% in 2014. The share of postal parcels of up to or equal to 10 kg, postal parcels weighing over 10 kg and up to or equal to 20 kg received from the EU, and of insured postal items remained small in the overall structure of the volume of UPS.

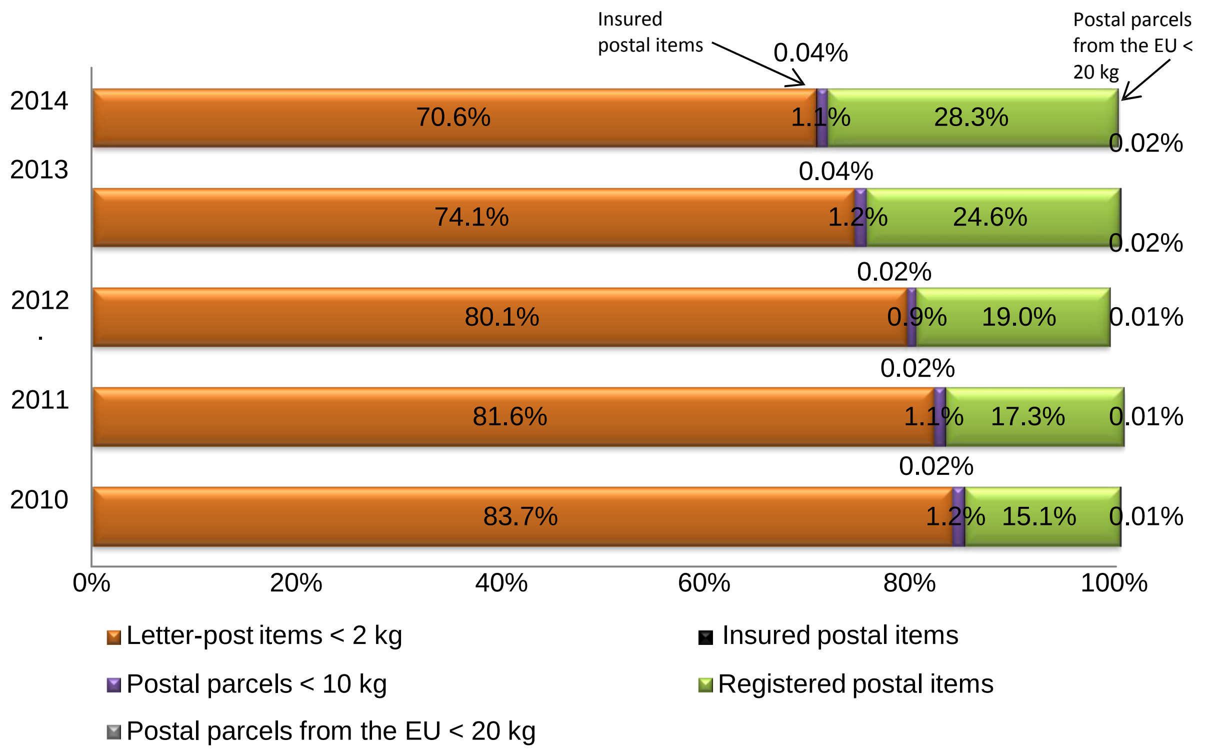


**Fig. 34. Structure of provided UPS by volumes between 2010 and 2014, %**

Between 2010 and 2014 the income from the provision of UPP were varying: in 2011 it increased by 5.5%, in 2012 – by 8.0%, in 2013 it fell by 45.5%, and in 2014 it went up by 9.0% (see Fig. 35). The evaluation of the data of 2010-2014 shows that the major portion of income was received from the provision of UPS in 2012 – LTL 97.8 million. In 2014, compared to 2010, the income from UPS decreased by 32.3%.

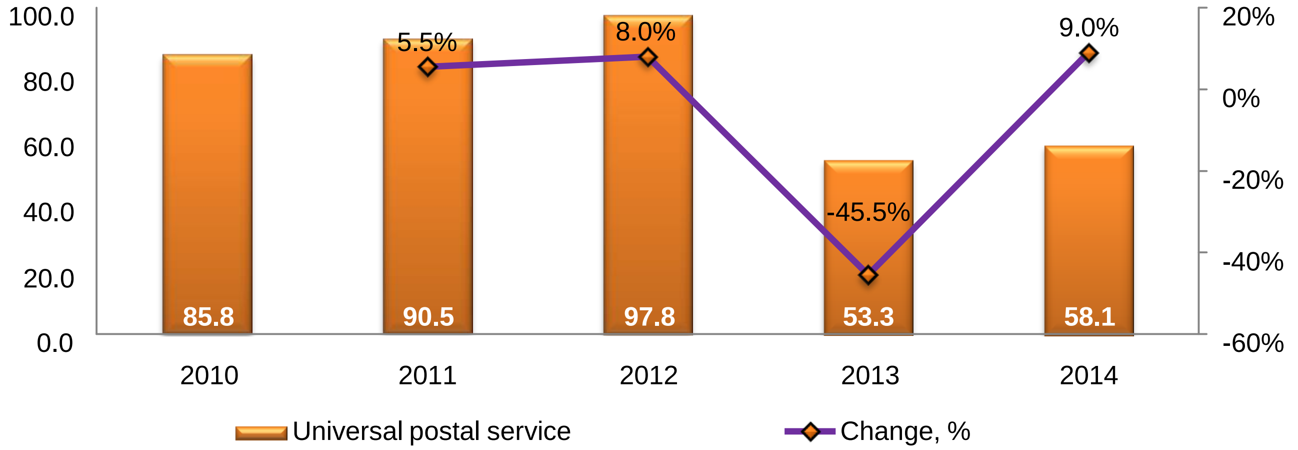


**Fig. 35. Dynamics of and changes in the income from UPS between 2010 and 2014, LTL million, %**

During the period from 2010 to 2014 the largest portion of revenue from UPS was received from letter-post items of up to or equal to 2 kg. With a view to the period of 2010-2014, it is obvious that the portion of revenue from letter-post items of up to or equal to 2 kg in the overall structure of revenue from UPS was annually decreasing: from 51.1% in 2010 to 38.6% in 2014 (see Fig. 36). However, between 2010 and 2014 the portion of revenue from registered postal items was increasing accordingly – from 39.5% in 2010 to 50.7% in 2014. Since 2013 the major portion of revenue from UPS was received from registered postal items rather than from letter-post items of up to or equal to 2 kg. The portion of revenue from postal parcels of up to or equal to 10 kg has been increasing since 2010 and in 2014 it already accounted for 10.2%. The portion of revenue from postal parcels weighing over 10 kg and up to or equal to 20 kg received from the EU, and from insured postal items in 2014 remained small in the overall structure of revenue from UPS: 0.11% and 0.51% respectively.

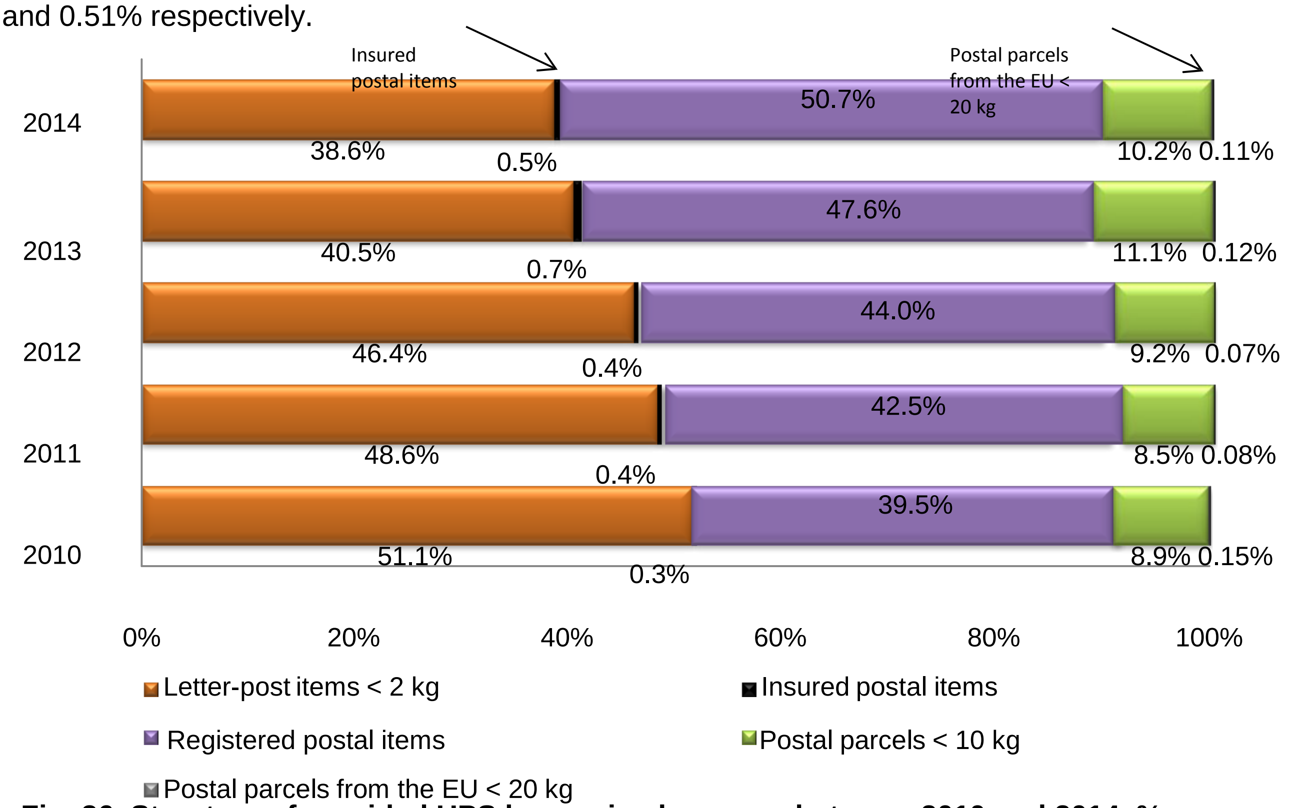


**Fig. 36. Structure of provided UPS by received revenue between 2010 and 2014, %**

In 2014 the revenue from UPS, compared to 2014, increased by 9% – from LTL 53.3 to 58.1 million (see Table 7).

**Table 7. Revenue received from UPS in 2013-2014**

| Revenue from: | | 2013 LTL | 2014 LTL | Change, % 2014/2013 |
|---|---|---|---|---|
| Universal postal services | | 53,296,424 | 58,085,804 | 9.0 |
| including | Letter-post items ≤2 kg | 21,607,973 | 22,393,973 | 3.6 |
| | Postal parcels ≤10 kg | 5,916,997 | 5,903,538 | -0.2 |
| | Postal parcels from the EU | 62,011 | 61,648 | -0.6 |
| | Registered postal items | 25,361,783 | 29,428,103 | 16.0 |
| | Insured postal items | 347,660 | 298,542 | -14.1 |

In the overall structure of revenue from UPS in 2014, compared to the previous years, the steepest decline was in revenue from insured items – by 14.1% (from LTL 351.5 to 298.5 thousand), the revenue from postal parcels from the EU weighing over 10 kg and up to or equal to 20 kg decreased by 0.6% (from LTL 62.0 to 61.7 thousand), and the revenue from postal parcels of up to 10 kg fell by mere 0.2% (from LTL 5.92 to 5.90 million). The major increase of revenue was subject to registered postal items – 16% (from LTL 25.4 to 29.4 million). The revenue from letter-post items of up to or equal to 2 kg went up by 3.6% (from LTL 21.6 to 22.4 million).

### 2.2.4. Tariffs of Universal Postal Services

On 1 January 2013 the RRT was assigned a new function of approving of highest UPS tariffs which was earlier within the competence of the Government of the Republic of Lithuania; therefore, the highest UPS tariffs were revised in 2014. By Order No 1V-102 of the Director of the RRT of 29 July 2014 “On the Approval of the Highest Tariffs of Universal Postal Services” the new highest UPS tariffs were approved and came into force on 1 August 2014.

The new highest UPS tariffs were approved, having assessed the UPS cost justification and taking account of not only weight steps of postal items, as was the case till 1 August 2014, but also of the sizes of postal items. The breakdown of letter-post items by specific sizes was established due to the fact that postal item processing costs depended not only on the weight of such items, but also on the sizes thereof, i.e. processing costs of larger letter-post items are higher. Letter-post items have been divided into two types of letter-post items: “letter-post item” and “letter-post item of large size”, cost-based tariffs have been set accordingly. Sizes set for the letter-post items comply with the sizes set for letter-post items in the documents of the Universal Postal Union.

A part of the highest UPS tariffs remained unchanged, i.e. priority and non-priority letter-post items of up to 500 g sent in Lithuania and compliant with letter-post items of small sizes, and non-priority letter-post items of up to 500 g sent to the non-EU states and compliant with letter-post items of small sizes. A p art of service tariffs have been increased, i.e. priority and non-priority letter-post items of up to 2,000 g sent in Lithuania and compliant with letter-post items of large sizes, and non-priority letter-post items of up to 500 g sent to the Member States of the European Union and compliant with letter-post items of small sizes, as well as priority and non-priority letter-post items of up to 2,000 g sent to the Member States of the European Union and other countries and compliant with letter-post items of large sizes. Tariffs of two types of letter-post items have been reduced: priority letter-post items of 500-1,000 g sent to non-EU states and compliant with letter-post items of large sizes and letter-post items of 1,000-2,000 g.

As of 1 August 2014 the new highest UPS tariffs for the following services were approved:

- domestic letter-post items of up to 2,000 g compliant with the sizes of letter-post items of large sizes;
- cross-border letter-post items of up to 500 g compliant with the sizes of letter-post items;
- cross-border letter-post items of up to 2,000 g compliant with the sizes of letter-post items of large sizes.

As of 1 August 2014 the highest UPS tariffs remained unchanged for the following services:

- domestic letter-post items of up to 500 g compliant with the sizes of letter-post items;
- cross-border letter-post items of up to 500 g sent to other countries compliant with the sizes of letter-post items;
- tariffs of domestic and cross-border postal parcels;
- registration and insurance service tariffs.

## 3. MARKET OF POSTAL ITEMS HANDED IN PERSONALLY WITH ACKNOWLEDGEMENT OF RECEIPT

Between 2010 and 2014 the **volume of letter-post items** handed in personally with acknowledgement receipt (through a courier) was constantly fluctuating: in 2011 it went up by 10.4%, in 2012 it went down by 3.8%, in 2013 it further decreased by 2.7 times – from 14.2 to 5.3 million items, and in 2014 the volume fell by 10.4% (see Fig. 37). As mentioned before, such decrease in the volume of letter-post items handed in personally with acknowledgement receipt was mainly related to the following changes in the activities of service providers: following the entry of the new Postal Law into effect, a part of courier service providers who previously provided the services of post items handed in personally with acknowledgement receipt transferred their operations to the traditional postal market and started delivering the same items to addressees' boxes for incoming deliveries. The largest volume of letter-post items during the period in question was in 2011 – 14.8 million items.

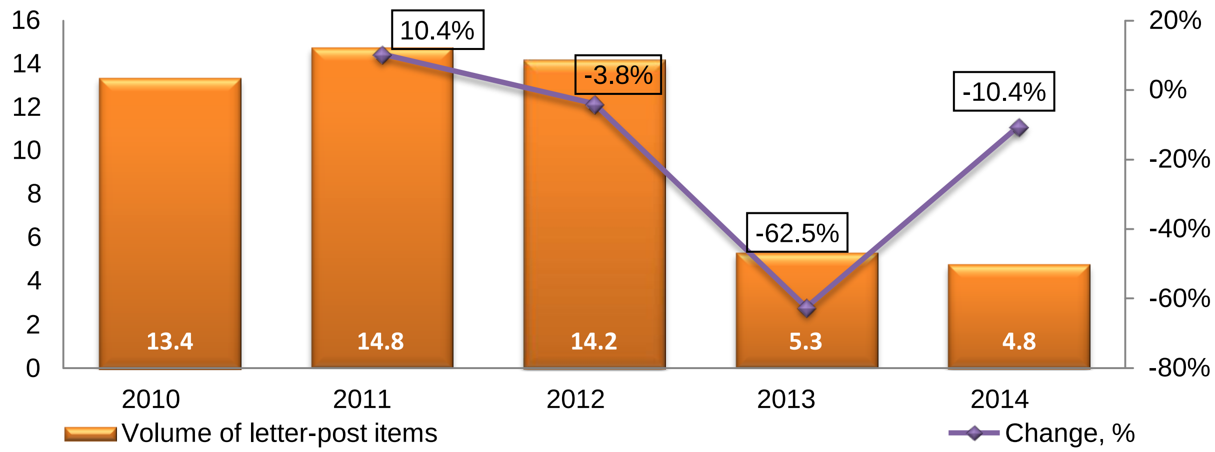


**Fig. 37. Dynamics of the volume of and changes in letter-post items handed in personally with acknowledgement receipt in 2010-2014, millions of items, %**

During the period of 2010-2014 the volume of **postal parcels** handed in by postal service providers providing the services of deliveries handed in personally with acknowledgement receipt increased in large scales: in 2011 − 20.4%, in 2012 – 24.9%, in 2013 – 10.8%, and in 2014 – 7.8% (see Fig. 38). The largest volume of sent and received postal parcels during the period in question was observed in 2014 – 8.0 million items. As compared to 2010, this volume increased by 1.8 times.

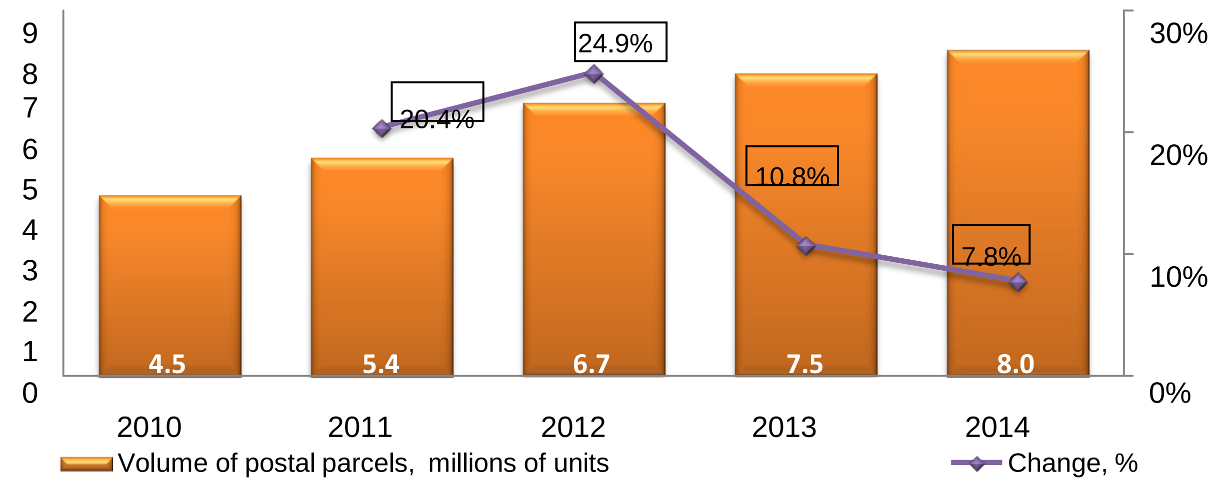


**Fig. 38. Dynamics of the total volume of and changes in postal parcels between 2010 and 2014, in millions of items, %**

Between 2010 and 2014 the **volume of domestic letter-post items** handed in personally with acknowledgement receipt was constantly fluctuating: in 2011 it increased by 10.0%, in 2012 it went down by 5.0%, in 2013 it further decreased by 66.9% and in 2014 it fell by 11.5% to 3.9 million units (see Fig. 39). During the period of 2010-2014 the volume of received domestic letter-post items was also varying: in 2011 it went down by 23.4%, in 2012 it increased by 10.9%, in 2013 it decreased by 40.9%, and in 2014 it grew by 26.8%. From 2010 to 2014 the total decrease on the volume of domestic letter-post items was as follows: sent items – 3.3 times, and received items – 1.6 times.


**Fig. 39. Dynamics of the volumes of sent and received domestic letter-post items in 2010-2014, millions of items**

Between 2010 and 2014, the **volume** of sent **domestic postal parcels** was steadily increasing: in 2011 it grew by 19.4%, in 2012 – by 24.3%, in 2013 – by 10.7%, in 2014 – by 8.9% up to 6.4 million items (see Fig. 40). From 2010 to 2014 the total increase of the volume of sent postal parcels was 1.8 times. Between 2010 and 2014, the volume of received domestic postal parcels varied: in 2011 it decreased by 20.5%, in 2012 it went up by 14.5 times, in 2013 – by 2.1 times, and in 2014 it went down by 38.6% to 413.5 thousand items. From 2010 to 2015, the total increase of the volume of received domestic postal parcels was 15 times.

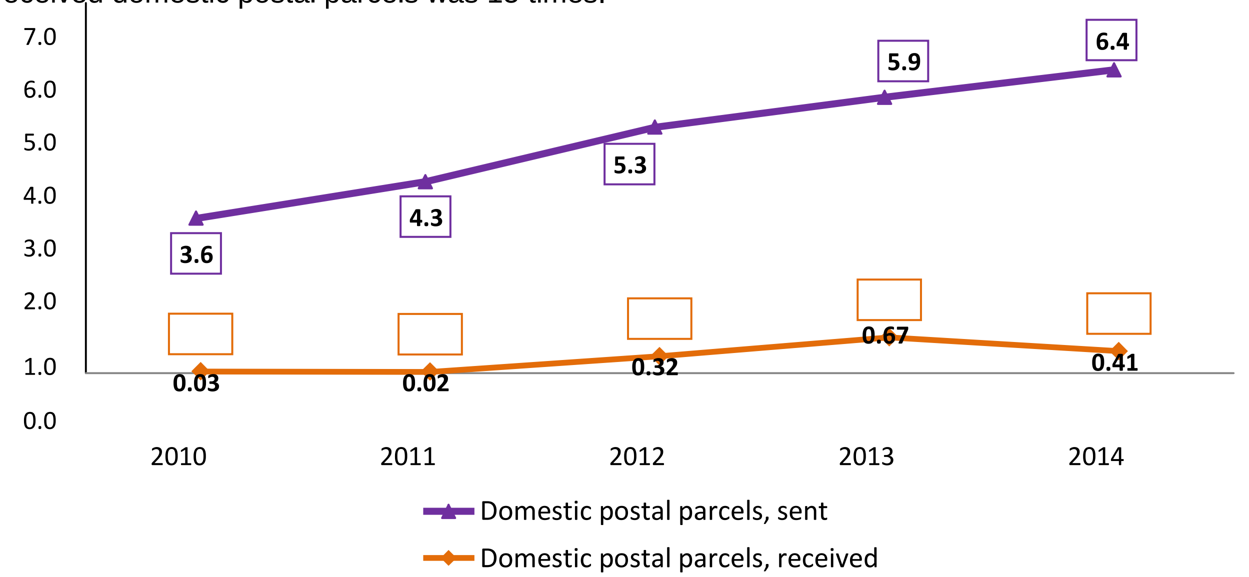


**Fig. 40. Dynamics of the sent and received domestic postal parcels, 2010-2014, million items**

The evaluation of the market of items handed in personally with acknowledgement receipt in terms of the **volume of** sent and received **cross-border letter-post items** shows that in 2010-2013 the undertakings operating in this market sent more cross-border letter-post items to foreign countries than received such items from foreign countries (see Fig. 41). However, the number of received letter-post items was higher than the number of sent ones in 2014. Between 2010 and 2013 the volume of sent cross-border letter-post items was steadily increasing: in 2011 – 20.7%, in 2012 – 23.9%, in 2013 – 9.4%, up to 456.7 thousand items; however, in 2014 the volume of letter-post items went down by 15.3% to 386.7 thousand items. The volume of received cross-border letter-post items was steadily growing during the period in question (2010-2014): in 2011 – 24.1%, in 2012 – 17.2%, in 2013 – 12.6%, and in 2014 – 6.6% up to 458.5 thousand units. The total volume of cross-border letter-post items increased in 2010-2014: sent items – 1.4 times, received items – 1.7 times. The volumes of received and sent cross-border postal parcels are very similar. In 2014 this difference was the highest and equalled 71.8 thousand units.


**Fig. 41. Dynamics of the volumes of sent and received cross-border letter-post items in 2010-2014, thousands of items**

The **volume of** received **cross-border postal parcels** was annually increasing between 2010 and 2014 (see Fig. 42). In 2011 the volume of received cross-border postal parcels went up by 38.2%, in 2012 – by 28.3%, in 2013 – by 14.7%, and in 2014 – 15% up to 978.2 thousand units. The volume of sent cross-border parcels grew in 2010-2013: in 2011 – 12.7%, in 2012 – 26.7%, in 2013 – 7.6% up to 740.8 thousand items and in 2014 it decreased by 8.8% to 675.4 thousand units. It is also clear that the volume of received cross-border postal parcels in 2011-2014 was higher than that of sent cross-border postal parcels. From 2010 to 2014 the total increase of the volume of cross-border postal parcels was as follows: sent parcels – 1.4 times, received parcels – 2.3 times.

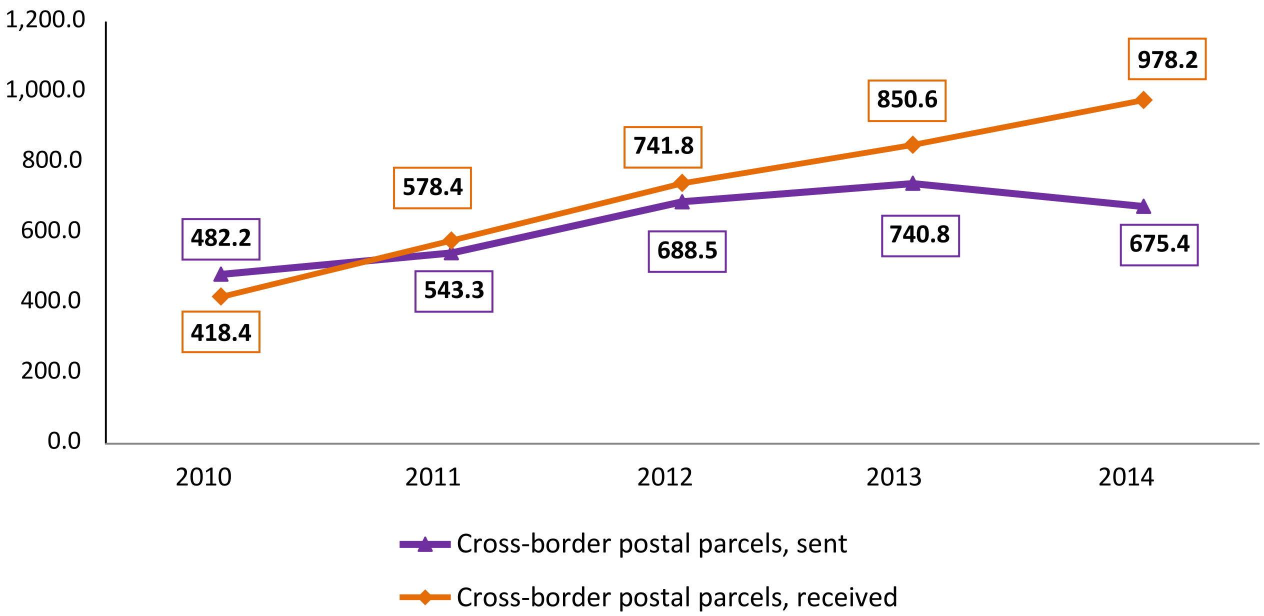


**Fig. 42. Dynamics of the volume of sent and received cross-border postal parcels in 2010-2014, thousands of items**

Between 2010 and 2014 the **revenue from deliveries of postal items** handed in personally with acknowledgement receipt was steadily increasing. In 2011 the revenue increased by 18.6%, in 2012 – by 18.1%, in 2013 – by 7.0%, in 2014 – by 6.7% and amounted to LTL 215.8 million. From 2010 to 2014 the total increase of the revenue from the services provided in this market was 1.6 times (see Fig. 43).

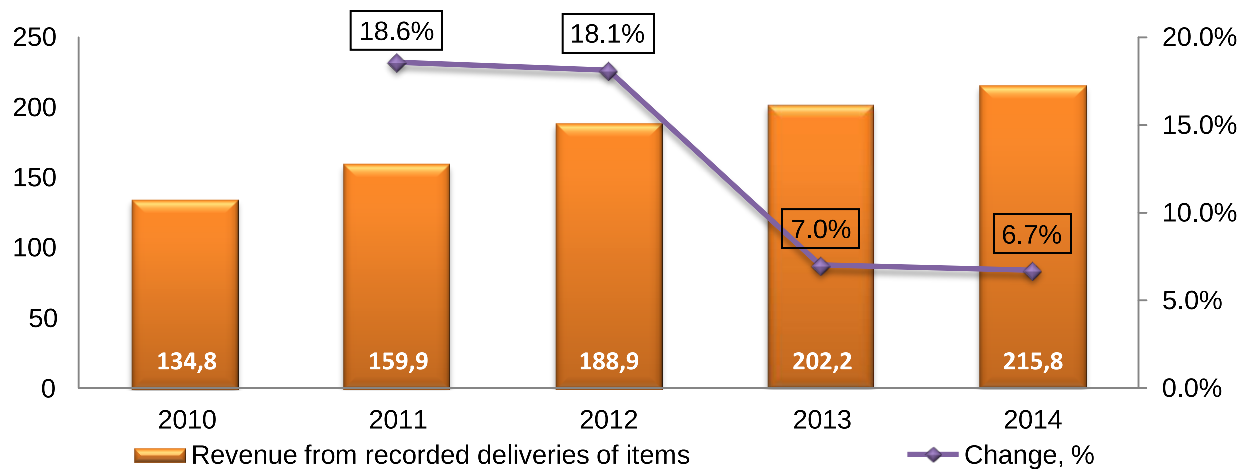


**Fig. 43. Dynamics and changes in revenue from deliveries of postal items in 2010-2014, LTL million, %**

Revenue from recorded deliveries of letter-post items in 2014, compared to 2013, grew by 4.8% – up to LTL 42.6 million (see Table 8). The decrease of the volume of domestic letter-post items led to lower revenue – 4.5% (from LTL 13.8 to 13.1 million). Growing flows of sent and received cross-border letter-post items led to increasing income – 9.6% (from LTL 26.9 to 29.5 million). Revenue from postal parcels in 2014 went up by 7.2% – up to LTL 173.2 million. Growing flows of domestic and cross-border postal parcels led to increasing income as well: domestic parcels – 4.0% (from LTL 102.1 to 106.2 million), cross-border parcels – 12.6% (from LTL 59.4 to 66.9 million).

**Table 8. The structure of and changes in revenue from deliveries of postal items handed in personally with acknowledgement receipt between 2013 and 2014**

| Indicator | | 2013 LTL | 2014 LTL | Change, % 2014/2013 |
|---|---|---|---|---|
| Revenue from recorded deliveries of postal items, total: | | 202,156,458 | 215,756,169 | 6.7% |
| of which: | from letter-post items: | 40,644,355 | 42,603,926 | 4.8% |
| | *domestic* | 13,755,800 | 13,132,846 | -4.5% |
| | *cross-border* | 26,888,555 | 29,471,080 | 9.6% |
| | from postal parcels | 161,512,103 | 173,152,243 | 7.2% |
| | *domestic* | 102,110,770 | 106,236,669 | 4.0% |
| | *cross-border* | 59,401,333 | 66,915,574 | 12.6% |

Revenue from postal parcels accounted for the largest portion in the overall structure of revenue from recorded deliveries of postal items: in 2014 revenue from postal parcels accounted for four-fifths of the market's total revenue (see Fig. 44). Taking account of the fact that in 2010-2014 the volumes of recorded deliveries of postal parcels were increasing, the amount of revenue was growing accordingly. Although the volume of sent and received letter-post items was higher than that of postal parcels, the revenue, however, from letter-post items constituted from 28.2% in 2010 to 19.7% in 2014 of all income.

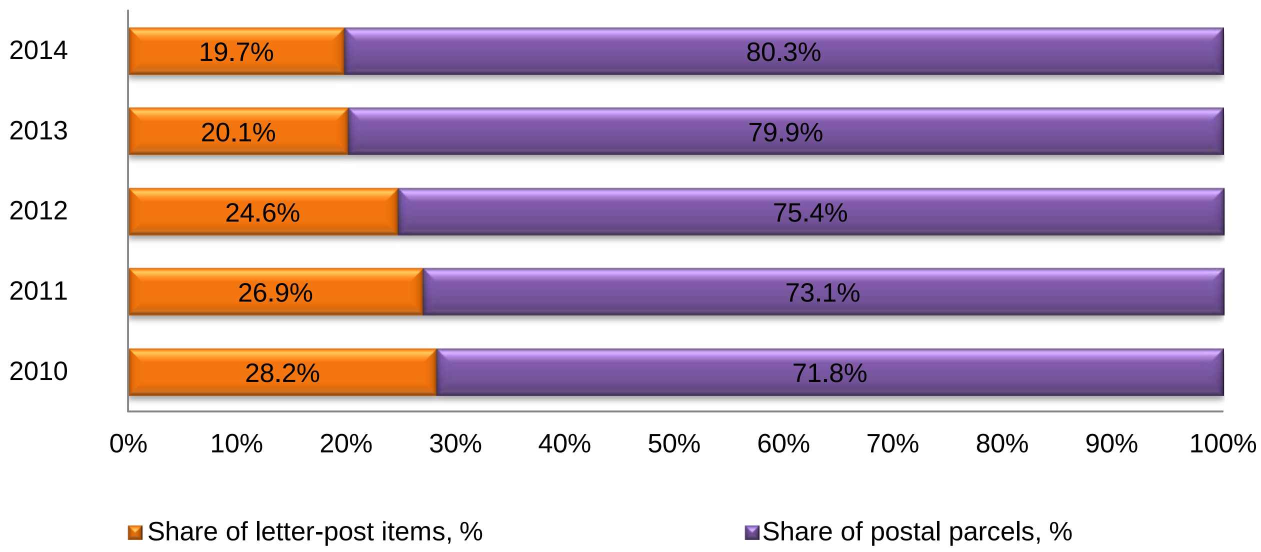


**Fig. 44. The structure of revenue from deliveries of postal items handed in personally with acknowledgement receipt between 2010 and 2014, %**

The income from recorded deliveries of domestic letter-post items was constantly varying: in 2011 it grew by 3.8%, in 2012 – by 2.0%, in 2013 it dropped by 37.8%, and in 2014 it further decreased by 4.5% (see Fig. 45). Between 2010 and 2014 the total decline of the revenue from domestic letter-post items was 1.6 times. During the period of 2010-2014 revenue from recorded deliveries of cross-border letter-post items was steadily increasing: in 2011 – 24.7%, in 2012 – 14.2%, in 2013 – 10.6%, and in 2014 – 9.6%. Between 2010 and 2014 the revenue from cross-border letter-post items increased by 1.7 times.

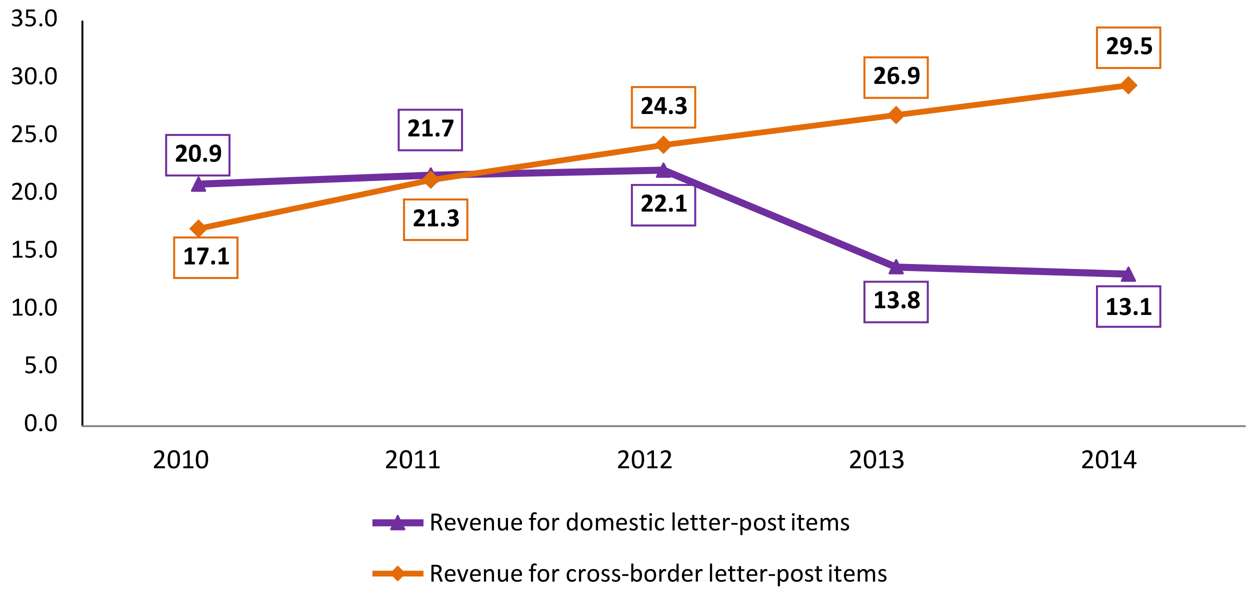


**Fig. 45. Dynamics of revenue from deliveries of domestic and cross-border letter-post items handed in personally with acknowledgement receipt between 2010 and 2014, LTL million**

During the period of 2010–2014 revenue from recorded deliveries of domestic and cross-border postal parcels was steadily increasing. The revenue from domestic postal parcels grew as follows: in 2011 – 20.5%, in 2012 – 25.6%, in 2013 – 12.6%, and in 2014 – 4% (see Fig. 46). The revenue from cross-border postal parcels grew by 21.1% in 2011, in 2012 – 15.8%, in 2013 – 14.8%, and in 2014 – 12.6%. In the long run, in 2010-2014, revenue from domestic and cross-border postal parcels increased 1.8 times.

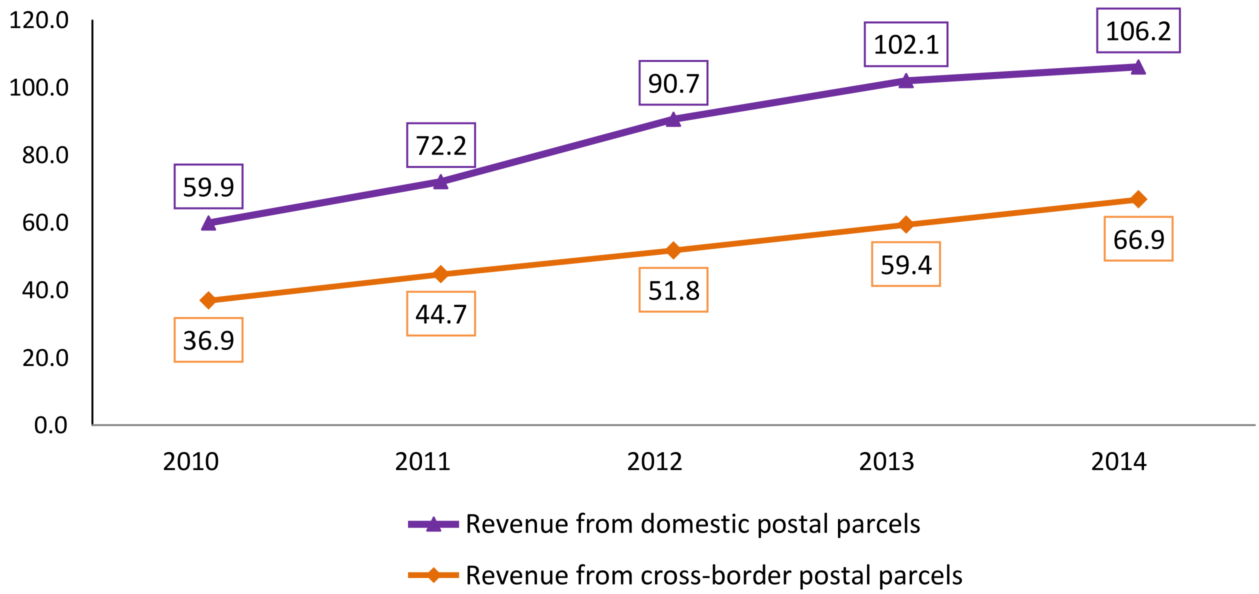


**Fig. 46. Dynamics of revenue from the deliveries of domestic and cross-border postal parcels handed in personally with acknowledgement receipt between 2010 and 2014, LTL million**

Based on revenue from recorded deliveries of postal items, the major share of the market was held by UAB "DPD Lietuva", UAB "DHL Lietuva" and UAB "Venipak LT" in 2013, i.e. 59.6% (see Fig. 47). As the chart below illustrates, the competition in this market is significantly higher than that in the traditional postal service market.

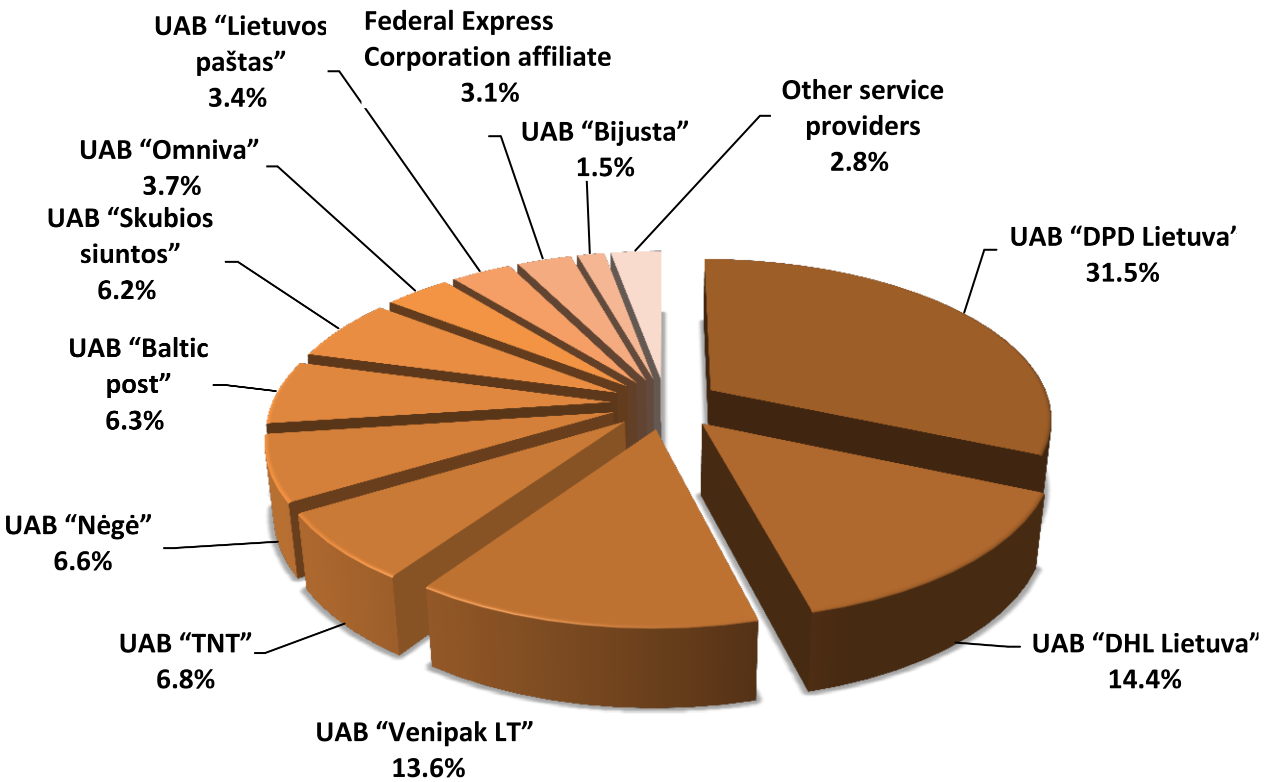


**Fig. 47. Market shares of postal service providers in terms of revenue from deliveries of postal items[19] handed in personally with acknowledgement receipt, in per cent, 2014**

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|---|
| The basic information and legal acts governing the activity of postal service providers, market supervision and consumer rights are available on the RRT website www.rrt.lt section "Post – For Business". Information is also provided by e-mail: info@rrt.lt |

[19] This includes only such undertakings whose market share held constituted more than 1%.