Main developments in the postal sector (2006-2008)

Country sheet summaries

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ECORYS Nederland BV

Dr. Nick van der Lijn (Team Leader)
Patrick de Bas, Garry Carter
Frederik van Doorn, Nicolai van Gorp
Hans Kok, Judith Mathijssen
Lars Meindert, Peter Vis

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ECORYS Nederland BV
P.O. Box 4175
3006 AD Rotterdam
Watermanweg 44
3067 GG Rotterdam
The Netherlands

T +31 (0)10 453 88 00
F +31 (0)10 453 07 68
E netherlands@ecorys.com
W www.ecorys.com
Registration no. 24316726

ECORYS Macro & Sector Policies
T +31 (0)10 453 87 53
F +31 (0)10 452 36 60

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Country sheet: Austria

Summary

Mail market characteristics

The Austrian mail market is characterised by:

(i) Austria has a population density below the European average;

(ii) A rather low degree of urbanisation;

(iii) Direct mail is (under certain conditions) liberalised;

(iv) Possible (serious) entry problems for competitors caused by the lack of access to part of the mailbox installations.

Regulatory developments

- The main legal document is the 'Postgesetz 1997' (Postal Act 1997) which was enacted in January 1998 and has since been amended five times. The most recent amendment to the Postal Act 1997 came into force on 1 March 2006. This amendment included provisions with respect to the procedure for closing down post offices by Austrian Post, the scope of the reserved area (reduction to <50g) and a registration system for postal operators. The universal service is regulated in detail by the 'Ordinance on the Postal Universal Service', which entered into force in 2002.

- As of 1 January 2008, the tasks of the Ministry for Transport, Innovation and Technology (BMVIT) as postal sector regulator have been taken over by the Austrian Telekom-Control-Commission (TCC), supported by the 'Rundfunk und Telekom Regulierungs-GmbH' (RTR-GmbH).

Market developments

- In the segment for (non-bulk) addressed mail the market share of Austrian Post is still very high (98%) and there are no indications that this situation will change before the full liberalisation of the market in January 2011. The reduction of the reserved area (from 100g to 50g) seems to have had hardly any impact on the market structure in the addressed mail market. Competition is very limited because of the limitations of the reserved area and the limited access to mailbox installations. Because of the market structure, only some large business customers have, in general, been able to profit from competition so far. As a result of the gradual liberalisation with the prospect of full liberalisation, a number of (small) postal operators have emerged in the segments for parcel delivery (e.g. Hermes) and outbound mail. The role of Redmail, the only relevant competitor in the domestic addressed mail market, is still small (about 2% market share).

- The main bottlenecks for the development of effective competition in the addressed mail market are the inability of private postal operators to access approximately 33% of the private letterboxes (mailbox installations) in urban areas (because a key is needed) and the VAT-exemption for Austrian Post. Austrian Post stresses that alternative operators are absolutely free to conduct their business with regard to labour regulation, whereas Austrian Post faces restrictions resulting from the USO, collective labour agreements and the civil servant status of employees.

- In the unaddressed mail market Austrian Post has strengthened its position with the full acquisition in 2005 of Feibra, which was the main competitor in this market. Consequently, they jointly hold a market share of about 85%. The Feibra acquisition was only approved by the court on certain conditions, *inter alia* on the non-discrimination conditions for other competitors. In contrast, there is intensive competition in express and the B2B parcel segment. In B2C and C2X parcel delivery, Austrian Post is still the dominant operator, but this is threatened (especially in B2C) by the market entry of Hermes in 2007.

Other issues

- Reorganisations within Austrian Post have resulted in a substantial reduction in the number of post offices and, consequently, significant reductions in the workforce. Between 2001 and 2005, the number of employees was cut by almost 20%, or approximately 6,000 active staff members.

- On 31 May 2006, the Austrian government sold 49% of the company's shares to private investors on the Vienna stock exchange. The other 51% of Austrian Post's share capital is still held by the state holding company ÖIAG.

- With the aim to resolve the problem regarding access to mailbox installations, the Austrian government had formulated a new law in which it was stipulated that the mailbox installations had to be replaced and that house-owners would bear the costs. However, following several complaints and law suits, the Austrian constitutional court annulled this law.

Discussion points

- The inability of private postal operators to access approximately 33% of the private letterboxes (mailbox installations) in urban areas is, according to ECORYS, a crucial barrier for the further development of competition, especially in the addressed mail segment. The attempts by the Austrian government to solve this problem did not seem to have led to the desired results.

- The successful entry of the Hermes Group indicates that the traditional incumbent can be challenged not only on the (lucrative) B2B segment but also in the B2C segment. The rollout of a network with a substantial size seems crucial for the development of competition.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO (< 3%), competitive	UPS, DHL, TNT, Primetime, Railcargo
Parcel (main players)	NPO (40%), competitive	DPD, GLS, DHL, Hermes, Railcargo
Unaddressed	NPO (85%, including Feibra)	Mediaprint, Redmail, MailAustria Group, Tirolmail
Cross-border mail	NPO (60%), competitive (only outbound)	UPS, Spring (TNT), DHL, SPI, La Poste (France), IMX, De Post/La Poste (Belgium)
Addressed mail (market share CPOs)*	< 2%	Redmail
Population density (inhabitants/km^2)	99.3	
Total addressed mail market (items)	1.7 billion items	
Addressed mail volume per capita	207	
Status of NPO	Public limited company	51% in hands of the government (ÖIAG), 49% sold in May 2006
Main divisions of NPO	Letters, parcel & logistics, branch network	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2007.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The universal service is in line with the Directives. The USO comprises the clearance and delivery of postal items up to 2 kg, of postal packages up to 20 kg and services for registered and insured items. Up to now the universal service has been very profitable, so no measures have been taken yet for alternative financing of the universal service (e.g. a compensation fund).
Reserved area	The reserved area covers addressed postal items weighing up to 50g and a price up to two and a half times of the basic tariff (both domestic and incoming cross-border mail). Addressed direct mail is only liberalised if the items are (i) delivered in bulk (not packed), (ii) unsealed, (iii) do not bear any personalising element except for the address and (iv) can be easily identified as advertising mail. The impact in practice is very limited as almost all addressed direct mail in Austria is sealed. Press items (daily newspapers, magazines) are not part of the reserved area.
Licensing and network access	There is no licensing scheme in the Austrian postal sector. Anyone is entitled to offer postal services outside the reserved area, although the postal service providers have to register at the NRA before offering services. Upstream or downstream access is not regulated. Obligations for transparency and non-discrimination are legally required (and part of the regulatory tasks of the NRA to supervise that to these principles is adhered to). Large parts of urban areas have closed mailbox installations to which only Austrian Post has the key (33%).
Tariff principles and	Tariffs for postal services in the reserved area are subject to ex-ante regulation by

Aspect	Implementation and remarks
transparency of accounts	the NRA (cost-based, the price cap regime is legally possible, but not implemented until 2007). Tariffs for services outside the reserved area, but inside the universal service, are subject to ex-post supervision by the NRA (also cost-based, and the price cap regime is legally possible, but not implemented until 2007). Tariffs of universal postal services should be affordable and cost-oriented. Austrian Post is required to keep separate accounting systems for services within the reserved area and for services outside the reserved area.
Quality of services	Quality standards are stipulated in the 'Ordinance on the Postal Universal Service 2002.' Judging from the available data, Austrian Post is currently meeting its targets.
The national regulatory authority	Prior to 2008, regulatory tasks were governed by the Ministry for Transport, Innovation and Technology (BMVIT). As of 1 January 2008, BMVIT's tasks as postal sector regulator have been taken over by the Telekom-Control-Commission (TCC), supported by the 'Rundfunk und Telekom Regulierungs-GmbH'. Three people within TCC and three within RTR GmbH are responsible for postal affairs.

Country sheet: Belgium

Summary

Mail market characteristics

(i) A declining volume of traditional letter post (social mail and administrative mail);

(ii) The reserved area enclosing items of correspondence (including addressed direct mail) and incoming cross-border mail;

(iii) A broad universal service. Apart from the 'standard' universal service De Post/La Poste is (amongst others) also responsible for other public services, such as the financial postal services, in-house payment of pensions, management of the State account treasury, sale of stamps, early delivery of newspapers and certain periodicals at reduced rate, the delivery of printed matters for elections at reduced rate and the handling of mail to and from military forces;

(iv) The use of a 'separate' delivery network by De Post/La Post for the delivery of newspapers, delivering six days a week (before 7.30 a.m.).

Regulatory developments

- In April 2007, the main postal regulations (including the Postal Act 1991 and some secondary laws) were revised in order to abolish some out-dated legal provisions, update the remaining provisions and to integrate other legislation. Full liberalisation is not expected before 1 January 2011.

- Some politicians and especially De Post/La Poste expect problems with the financing of the universal service after full liberalisation. De Post/La Poste insists on an adequate financing mechanism which provides true and effective funding. De Post/La Poste have also stressed several times that there is a need for more symmetrical regulation in order to facilitate a level playing field for all companies.

- Recently, the spokesman of Minister Vervotte[1] stated that in the near future postal operators must avoid competing only on wage conditions by also focusing on the profitability of services. It must be avoided that in the (near) future postal operators compete only on wage conditions and focus on the profitable services while De Post/La Poste is also responsible for the less profitable services. According to Mrs. Vervotte, this can be reached by linking (extra) conditions to BIPT-licences, for example by limiting the service possibilities to only a (small) part of the country or delivering only once a week.

[1] Minister Inge Vervotte, the Belgian minister of Civil Service and Public Enterprises.

Dynamics in the postal sector

- ECORYS observes that within the addressed mail segment De Post/La Poste is the dominant operator and has a market share close to 100%. In fact, there are hardly any relevant competitors in this segment (apart from some local players). The reduction from 100g to 50g, and the fact that De Post/La Poste had some quality problems in the past does not seemed to have influenced this situation. Competition is local or is dedicated to a specific and limited group of customers. The suggestions of Minister Vervotte might increase the legal and regulatory uncertainty for entrants, especially when a new party (with low volumes and local/regional coverage) considers entering the market.

- BD (subsidiary of TNT Post) claims that the market for addressed mail items is *de facto* closed for competition. BD see hardly any room for entry due to the dominant position of De Post/La Poste, unfair consolidation prices, the VAT-exemption for De Post/La Poste, subsidy of newspaper delivery and the recent announcements of Minister Vervotte. Within this study it is not possible for ECORYS to determine whether these allegations and suggested issues (unfair prices, cross-subsidy) are valid and influencing competition.

- De Post/La Poste also holds a dominant position on the cross border letter market (mainly related to the incoming cross-border mail). Although BIPT observes that in the outgoing segment there is significant competition between several (international) players. The same is true for the parcel and express segments (where De Post/La Poste does not hold a dominant position). There is a significant level of competition because of the presence of several international players (TNT, Kiala, DPD, DHL, UPS, FedEx). BD is the dominant operator in the unaddressed segment (80% market share), which competes with Deltamedia, a subsidiary of De Post/La Poste.

Other issues

- The Post/La Poste is currently undergoing a restructuring programme, which has resulted improvements in quality performance. For example, in 2001 only 75% of the mail was delivered the next day, while in 2007 this was 92.6%. Also the strategic partnership of De Post/La Poste with their consortium partners Post Denmark A/S and CVC Capital Partners Limited seems to have had a positive influence on DePost/La Poste performance. The last four years De Post/La Poste invested € 300 million in their sorting centres, which resulted in a higher percentage of automatically sorted mail and the abolition of the difference between priority and non-priority mail.

- De Post/La Poste carried out a survey on the needs of small and medium sized enterprises. It appears that for most of the scenarios, around 75% of companies were strictly against any kind of change of the USO current definition, i.e. in terms of frequency (5 days per week), national coverage obligation, non-uniform pricing, reduced scope of products.

Discussion points

- Belgium is characterised by a high population density and a high degree of urbanisation and is a potentially interesting market for new entrants. Still, the development of competition in Belgium is lagging behind. According to ECORYS this is caused by a mix of reasons, such as the strong anchoring of De Post/La Poste in the Belgian society (e.g. by providing a very broad universal service), but also the legal and regulatory uncertainty for entrants in the current political climate.

- Related to this, the availability and financing of the universal service is an important point of discussion in Belgium, both for the universal service provider (who wants more symmetric regulation) and politicians. It seems to ECORYS that the concern about the availability of the universal service (especially after the full market opening) give incentives to create additional license-conditions for competitors. It is important to find a well-balanced solution between the availability of the universal service on the one hand and the development of competition on the other hand.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO	UPS, DPD, Fedex, DHL, TNT Express
Parcel (main players)	NPO (11%)	TNT Pakketservice, Kiala, DPD, GLS
Unaddressed	NPO (15-20%)	BD (80%)
Cross border mail	NPO (n.a.)	DHL, DPD, Swiss Post International, Spring (TNT)
Addressed mail (market share CPOs)*	< 1%	BD; some local competitors are active in the cities
Population density (inhabitants/km^2)	342	
Total addressed mail market (items) **	3 billion (2006)	This volume includes newspapers and cross-border mail
Addressed mail volume per capita	288	This volume includes newspapers and cross-border mail
Status of NPO	Public limited company	State owns '50% plus 1 share', rest is owned by Post Denmark/CVC
Main divisions of NPO	Mail (domestic, international) and retail (service points, financial post, postal bank)	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, including newspaper delivery; ** The total volume addressed items includes newspapers (probably 144 million items) and cross-border mail. All figures refer to 2007.

Note: n.a. is not available.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	USO in compliance with Directive. USP is also responsible for other public services (e.g. distribution of newspapers before 7.30 a.m.). Possibility to activate a compensation fund to cover the burden of the USO, funded by licensed postal operators (including De Post/La Poste).
Reserved area	Reserved area in compliance with Directive, applying to items of correspondence, including addressed direct mail and incoming cross-border mail. Outgoing cross-border mail is liberalised since 1 January 2003. Segments for unaddressed mail, parcel & express are open to competition.
Licensing and network access	Operators active within the universal service need a license, while for services outside the universal service a notification is sufficient. Several obligations are linked to the license and notification. The regulatory framework does not contain ex-ante obligations for upstream or downstream access to the network of De Post/La Poste (including PO boxes). Access can be negotiated.
Tariff principles and transparency of accounts	Price regulation is applied to the universal service. A royal decree and the 4th management contract between the USP and the State determines further tariff-regulation concerning the reserved area and common used services. The price increases for frequently used services are capped at the level of the health index.
Quality of services	Quality standards are set concerning delivery time for prior and non-prior addressed mail and incoming cross-border mail. In 2005 and 2006 not all criteria were met. Significant investments (e.g. in the new sorting centres) resulted in the fact that the quality criteria have all been met in 2007.
The national regulatory authority	Established in 1993, BIPT is the national regulatory authority and (amongst others) responsible for the identification of possible breaches of the Postal Act 1991.The postal unit employs circa ten people.

Country sheet: Bulgaria

Summary

Mail market characteristics

The Bulgarian mail market is characterised by

(i) Low mail volumes per capita;

(ii) Some parts of Bulgaria consist of mountainous terrain, making delivery relatively costly;

(iii) The exclusion of hybrid mail from the universal service, hence from the reserved area, makes it is possible for competitor postal operators to provide services in the addressed mail market.

Regulatory developments

- As per 1 January 2007, Bulgaria has implemented legislation to meet the requirements of Directive 2002/39/EC. This meant, inter alia, that the reserved area was reduced to 50g. Independent monitoring of delivery times was conducted for the first time in 2006.

- The licensing regime allows postal operators to provide services within the universal service. A condition for this licence is that full universal services are offered, with a full range of services and a nationwide collection and delivery network. To support the creation of a nationwide delivery network, legislation on mutual access to the networks of postal operators has been approved by the Council of Ministers.

Market developments

- In the segment for universal services, competitors of Bulgarian Post have entered the market. The licensing of three new operators for the entire universal service is an important step towards full liberalisation of the postal market. It must be noticed that all entrants are still in the business development phase with regard to the provision of services and the development of a nationwide postal infrastructure. The new postal operators also cooperate in certain areas with Bulgarian Post and each other, especially in reaching the rural areas of the country. According to the NRA, by the end of 2008 there will be agreements in place for access to the networks between these postal operators and Bulgarian Post.

- The market for non-universal services is growing rapidly. As a result, many new operators are registered annually at the NRA. By the end of 2007, the number of registered companies was 74. The most important part of the non-universal services is the courier services. ECORYS observes that, compared to the main operator in the universal service segment, Bulgarian Post, operators active in the non-universal service area seem to be creative and more focused on customer needs. As a result, customers are switching their consumption from universal services to non-universal

services, especially hybrid mail services and courier services. As more mail is generated by computers and printed, enveloped and pre-sorted by CPOs, hybrid mail adds much to the increase of non-universal service volumes.

Discussion points

- According to ECORYS, the exclusion of hybrid mail services from universal services, hence also the reserved area, and the relative ease with which postal operators can obtain a license have been vital to the development of competition in the Bulgarian addressed mail market.

- Despite these positive developments there are also issues for concern, notably the lack of a level playing field. Entrants are disadvantaged by the subsidies Bulgarian Post might receive to recover USO costs. Moreover, unlike the alternative operators, Bulgarian Post does not pay for regulatory services and uses state property in rural areas.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	
Parcel (main players)	NPO > 99%	
Unaddressed	Competitive	
Cross-border mail	NPO > 99%	
Addressed mail (market share CPOs)*	Ca. 30%	Tip-Top Courier, ECONT Express, M&BM (mainly hybrid mail services; no accurate data are available)
Population density (inhabitants/km^2)	69.36	
Total addressed mail market (items)	115.5	ECORYS estimate, universal services and hybrid mail (excluding outbound cross-border mail and courier services)
Addressed mail volume per capita	15	Including hybrid mail
Status of NPO	Public company	Fully owned by the government
Main divisions of NPO	Letter mail, Parcel mail, Express (EMS), Press distribution	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, including hybrid mail and excluding outbound cross-border mail, courier services and newspaper delivery. All figures refer to 2006.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The universal service is in line with the Directive and consists of the following domestic and international postal items: • Letter items up to 2 kg; • Small packets up to 2 kg; • Direct mail up to 2 kg; • Printed matter up to 5 kg; • Secogrammes (mail for the blind) up to 7 kg; • Parcels up to 20 kg; • Postal money orders; • Additional services "registered items "and "declared value". These services include both express and non-express items. Bulgarian Post receives a state subsidy for any losses made as a result of the universal service (any profit made in the reserved area has to be used to reduce the deficit of the universal service).
Reserved area	The reserved area consists of domestic and cross-border mail items up to 50 grams. Direct mail and hybrid mail are not part of the reserved area.
Licensing and network access	For the provision of universal services, two licences are available. A full universal service licence allows (and obliges) operators to provide all postal services within the universal service including postal money orders (but excluding services within the reserved area). A limited universal service licence allows (and obliges) the licensed postal operator to provide a limited number of postal services within the reserved area. Access to the network of postal operators is currently still on a negotiated basis. New legislation for mandatory mutual access has been approved.
Tariff principles and transparency of accounts	Prices of products under the universal service are subject to price regulation. Price proposals have to be accepted by the NRA. For non-priority mail items, with the exception of the services "direct mail" and "printed matter", the affordability of the prices is defined using a consumer basket. The affordability of the price of the services "direct mail" and "printed matter" is defined by a formula, taking into account the index of the consumer prices and the index of GDP.
Quality of services	The standards for delivery time of domestic and international mail vary per mail product, resulting in three domestic and four international standards. Of all domestic items of correspondence, 78% needs to be delivered the next day (D+1), 90% needs to be delivered in two days (D+2), while 95% of the mail has to be delivered in three days (D+3). The routing times for international non-registered priority items of correspondence from geographical areas within Europe are: 60% needs to be delivered within three days (J+3), while 80% needs to be delivered within five days (J+5). Currently, Bulgarian Post is meeting all the domestic standards set. The only standard not met is the international J+3 standard, falling short by a few tenths of a percentage. There is independent monitoring of the delivery times.
The national regulatory authority	The NRA is the Communications Regulation Commission (CRC). The CRC has a nearly full range of powers. The total number of the experts who deal with the postal issues is about ten.

Country sheet: Cyprus

Summary

Mail market characteristics:

(i) Low population density, but a high degree of urbanisation;

(ii) Relatively low mail volumes per capita;

(iii) Direct mail is included in the reserved area;

(iv) Both inbound and outbound cross-border mail are included in the reserved area;

(v) Relatively large volumes of cross-border mail (inbound plus outbound equals the domestic letter post volumes);

(vi) A VAT exemption for all services provided by the USP;

(vii) High seasonal fluctuations in mail volumes;

(viii) Little regulatory interference in the postal market.

Regulatory developments

- The reserved area was reduced from 100g to 50g at 1 January 2006, in conformity with Directive 2002/39/EC. In accordance with the recent adoption of Directive 2008/6/EC, full liberalisation of the postal market is now scheduled to occur in 2013.

- Cyprus Post has been fined three years in a row for not attaining quality standards. Cyprus Post is a department of the Ministry of Communications and Works.

Market developments

- There is one company with a licence for postal and courier services (Cyprus Postal Services) and 16 companies with a general authorisation for courier services. Only the market for courier services is competitive. Cyprus Post is only active in international courier services.

Other issues

- The quality of Cyprus Post is low and, in the eyes of customers, too unreliable. Not only are QoS targets not met, in 2007 also incidents were reported in the news of a violation of confidentiality and security in the delivery of financial postal items. A major part of the problem is caused by the high number of temporary employees who feel less affiliated to their employer. The low level of quality has lead customers in urban areas to increasingly use courier services (and pay a higher price) for sending ordinary letter mail.

- A bill has been drafted to transform the Cyprus Postal Department to a semi-governmental organisation (still owned by the state). This legislation will come into force *the earliest* at the beginning of 2009.

Discussion points

- The slow process of privatisation and liberalisation in Cyprus has obstructed the development and implementation of its regulatory framework. An important element was that (as part the Ministry of Communications and Works) Cyprus Post initially failed to implement a proper system of separate accounting. Consequently, the NRA was not in the position to regulate prices on a cost basis or to control for cross subsidisation and predatory prices. Since 2007 a separate accounting method has been installed.

- The impact of financial penalties is only of symbolic value since the accounts of the USP are part of the government budget. Consequently, the financial incentives for the USP to provide a minimum level of quality are absent. This is likely to explain for a large part the low quality of service that is provided by Cyprus Post.

- The willingness of Cypriots to substitute mail for express services (and pay the much higher price) in order to obtain better quality indicates that there will be attractive opportunities for competing postal operators after market opening.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO has 10% (0%) market share in the international (domestic) market	International: DHL and Gap Vassilopoulos
Parcel (main players)	NPO has 10% (0%) market share in the international (domestic) market	International: DHL and Gap Vassilopoulos
Unaddressed	NPO 99%	Exact number of unaddressed mail items is unknown
Cross-border mail	Inbound and outbound: NPO 100%	n.a.
Addressed mail (market share CPOs)*	0%	n.a.
Population density (inhabitants/km^2)	91.5	
Total addressed mail market (items)	63.7 million items	
Addressed mail volume per capita	75	
Status of NPO	Department of the Ministry of Communications and Works	100% state owned
Main divisions of NPO	Mail	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006.

Note: n.a. is not available.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by incumbent Cyprus Post. Universal services provided by Cyprus Post are VAT exempt. The USO is financed from the reserved area. Any costs not covered by the returns from the reserved area are financed through the general budget. As there was (until recently) no proper accounting system installed to measure the true costs of the USO, the implementation of a universal service fund (for which the legal basis exists) was prevented.
Reserved area	Reduced to 50g at 1 January 2006. Full liberalisation is not expected until 2013. Direct mail and in- and outbound cross-border mail are part of the reserved area.
Licensing and network access	(i) A license is needed for postal services; (ii) Cyprus Post is not obliged to provide downstream access to third parties.
Tariff principles and transparency of accounts	(i) The tariffs for the universal service need to be *affordable* (although the NRA does not have a method to assess affordability); (ii) Officially, the prices are subject to ex-ante and ex-post price regulation by the NRA. So far no price increase has been allowed because of the lack of a proper cost accounting system; (iii) A new accounting system has been installed in 2007 that will allow more transparent (cost based) prices and will allow a more specific assessment of the costs of the universal service. The first reporting of the data is expected in May 2008.
Quality of services	Quality standards are set concerning delivery (transit) time. In the last three years Cyprus Post failed to meet the requirements on delivery time.
The national regulatory authority	The Office of the Commissioner of Telecommunications and Postal Regulation (OCECPR) is the national independent regulator for the postal services sector. Its primary statutory responsibility is to ensure the provision of the universal postal service at uniform tariffs and at a certain quality level. • Issue licenses (and determine requirements); • Set maximum tariffs (and penalise if ceilings are not adhered to); • Require data and studies from both the USP and non-USPs.

Country sheet: Czech Republic

Summary

Mail market characteristics

(i) The Czech Republic has an average population density and an average degree of urbanisation,

(ii) Direct mail (addressed advertising mail), outbound cross-border mail as well as the delivery of magazines, newspapers and catalogues, not included in the reserved area,

(iii) Declining volumes for the total market as well as Czech Post as a result of competition, rationalisation by e-substitution of customers and failure to develop market segments in competition with other media.

Regulatory developments

- In April 2005, the regulatory framework was revised with the implementation of Act No. 95/2005 Coll. amending Act No. 29/2000 on postal services. This new legal regulation became the basis for transferring the regulatory powers with regard to postal services from the Ministry of Informatics of the Czech Republic to the Czech Telecommunication Office. In January 2005, while discussing the content of what became Act No. 95/2005 Coll., the Senate at the last moment decided not to include (addressed) direct mail in the reserved area. As direct mail was never part of the reserved area the Senate took into consideration the content of the Postal Directive and the possible threat of sanctions from the European Commission.

- From 1 January 2006 until the present date, the reserved area includes correspondence that weighs not more than 50 grams and costs not more than CZK 18 (2.5 times the price of a single item). The Czech Republic has the opportunity to postpone full liberalisation until 2013 (Directive 2008/6/EC), but the government has not yet taken a decision.

Market developments

- Mediaservis has a market share of 3-4% in the addressed mail market (excluding newspapers and magazines, 15-20% including newspapers and magazines). TNT also is active in the direct mail segment, and even claims that over the last two years it has become the leading competitor of Czech Post in this segment. The direct mail segment seems an important driver for the development of competition and after full liberalisation a company like Mediaservis also seems to be able to challenge Czech Post in the transactional mail segment. There has been a decline in volume of transactional mail (-0.05%), caused by e-substitution.

- According to Mediaservis, Czech Post should fear a decline in revenue of 20% if the market for transactional mail is fully liberalised.[2] Until the moment of full liberalisation (at latest December 2012), the main barrier for competition seems to be the reserved area and the VAT exemption of Czech Post.

- Competition in the segment of unaddressed mail is considerable. Competition has intensified in the last years with the growth of Mediaservis and especially TNT as well as other distributors of unaddressed items. The volumes of unaddressed mail of Czech Post declined considerably in recent years. TNT claims a market share of 52% in the unaddressed segment. In the parcel and express markets as well as in the cross-border mail segment, several international players are active.

Other issues

- Czech Post is a state enterprise (since its establishment in 1993). In 2007, the process of transforming Czech Post into a joint stock company started on the basis of a government decision; the process is expected to be finalised during the first semester of 2009. The possible sale of a stake in the joint stock company will be considered only after the formation of the company.

Discussion points

- Mediaservis has been able to create two dedicated end-to-end networks, with national coverage (and own employees). Newspapers and magazines are delivered seven times a week, addressed and unaddressed mail six times a week (sometimes combined). Compared to the situation in other Member States this is a nearly unique situation (only in the Netherlands there is a more or less similar situation).

- In the light of the development of competition, the performance of Mediaservis and TNT Post is encouraging. Mediaservis and (to a lesser extent) TNT Post seem to be able to challenge Czech Post after full market opening. It can be expected that the existence of the Mediaservis end-to-end networks will enable them to be a serious alternative to Czech Post in the field of addressed mail delivery after full market opening. Further, it is important to note that the direct mail segment (never part of the reserved area) and the delivery of newspapers and magazines have been the main drivers for their success.

[2] Czech Business Weekly (2007).

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	TNT, UPS, DHL, FedEx
Parcel (main players)	NPO (45%)	DPD, PLL; TNT estimates market share of Czech post at 95%
Unaddressed	NPO (25%)	Mediaservis (8%), TNT Post (52%)
Cross-border mail	NPO (90%)	TNT estimates the market share of Czech post at 99%
Addressed mail (market share CPOs)*	5%* (15-20% including newspapers and magazines)	Mediaservis and TNT
Population density (inhabitants/km^2)	129.2	
Total addressed mail market (items)*	920 (2006)	
Addressed mail volume per capita*	90	
Status of NPO	Czech Post was established in 1993 as a state enterprise	Transformation into joint stock company is ongoing
Main divisions of NPO	Mail, express	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, in this case excluding newspapers and magazines. All figures refer to 2007.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by the incumbent Czech Post. In addition, the universal service includes money orders and parcels up to 20 kg. The current postal license is ending on 31 December 2008. The financial mechanism for financing any net cost of the USO after full market opening has not been decided yet.
Reserved area	The reserved area encloses the delivery of items of correspondence up to 50g or a tariff up to 18 CZK. Items of correspondence are defined in the Postal Act 2000 as ‘a communication in a written form on a paper addressed to a particular person.’ The provision of direct mail and inbound and outbound cross-border mail is fully liberalised, as well as the delivery of magazines, newspapers and catalogues. In the Czech postal legislation, addressed bulk mail is not defined separately. The market for parcels, courier services, press distribution and flyers is fully liberalised.
Licensing and network access	For the delivery of domestic items of correspondence within the reserved area, a licence is needed (only Czech Post has such a licence). The distribution of addressed direct mail, magazines and periodicals, newspapers and addressed catalogues is not subject to a licence. Postal operators just need a registration in the trade register. The Postal Act 2000 does not regulate mandatory access to the network of the universal service provider. Alternative postal operators are allowed to negotiate access to the network of Czech Post.
Tariff principles and transparency of accounts	Responsible bodies are the Ministry of Finance, which regulates prices for domestic postal services, and the Czech Telecommunication Office for international postal services. The price regulation only covers certain selected

Aspect	Implementation and remarks
	services provided by the USP, notably: ordinary letters (basic weight step), registered letters (basic weight step), ordinary parcels (basic weight step), insured parcels (basic weight step), postal money orders (basic amount), advice of delivery, delivery to the addressee in person and cash on delivery fees. The price regulation does not apply to competitor postal operators.
Quality of services	The Basic Quality Requirements for Czech Post relate *inter alia* to the density of service provision points, the opening times of the Post Offices, methods of mail delivery to addressees, speed of mail transport (transit times?), treatment of complaints, etc. (Postal Act 2000, section 22). The quality of service standards are set by the NRA. All thresholds are met, e.g. 94.1% of the domestic mail is delivered the next day (D+1).
The national regulatory authority	Established in April 2005, the Czech Telecommunication Office is the (independent) NRA responsible for postal affairs. On 1 April 2005 the regulatory powers were transferred from the Ministry of Informatics. The NRA's key task is to ensure general accessibility of good-quality basic postal services and to ensure that the obligations resulting from the postal directives are met. Within the NRA, eight people are dealing with postal affairs, including one person, who is employed with the Ministry of Finance and is responsible for the price regulation of selected domestic services. Their regulatory powers seem to be rather broad.

Country sheet: Denmark

Summary

Mail market characteristics

(i) Denmark is a relatively small country with a high addressed mail volume per capita;

(ii) The NPO (Denmark Post) is VAT exempt for services provided under the universal service;

(iii) There seems to be little regulatory interference in the postal market.

Regulatory developments

- The reserved area in Denmark consists of domestic addressed letter mail and addressed letter mail from international destinations, such as the Faroe Islands and Greenland to recipients in Denmark with a maximum weight of 50 grams. Addressed catalogues, brochures, newspapers, magazines and periodicals and other items with uniform printed contents in transparent packaging ('open printed matter') do not belong to the reserved area.

- Until 2007, Post Danmark received a subsidy for each distributed daily newspaper under a special calculation model. In 2006, the total subsidy amounted to DKK 396 million (€ 53m). At the beginning of 2007, the Danish Government changed the subsidy scheme under which subsidies are paid for the distribution of daily newspapers. The subsidy is currently paid directly to the publishers of daily newspapers.

Market developments

- The total Danish mail market has grown from 5.4 billion items in 2005 to 5.9 billion items in 2006. In turnover, the size of the market increased from DKK 15.3 billion (€ 2b) in 2005 to DKK 16.3 billion (€ 2.2b) in 2006. The increase in volume was mainly as a result of the increase in unaddressed mail volumes.

- Addressed letter mail volumes have dropped for a number of years, especially within the segment business mail and franking machine mail. According to stakeholders, this decline is mainly caused by e-substitution. The impact of e-substitution is expected to continue in the domestic letter market. There are no current estimations on the degree of e-substitution in Denmark.

- Competitors in Denmark have already gained a good market position in liberalised markets, such as courier and express, logistic services and unaddressed mail. The delivery of unaddressed advertising mail is primarily undertaken by competitors.

- An important competitor in Denmark for addressed mail is CityMail Danmark A/S, which is owned by Norway Post. CityMail launched their postal service in Greater Copenhagen on 2 January 2007 and focuses on addressed letter mail and 'open printed matter'. Their ambition is to reach a market share of 13% in Denmark.

- In April 2008, news was released that Post Danmark had plans to merge with Posten AB (SE). Pending the approval of all relevant bodies, the merger may take place at the end of 2008.

Other issues

- The NRA has the authority to decide on major determinants of the regulatory framework. For example, the NRA has the authority to set the frequency of delivery under the universal service obligation, set the weight limit of parcels falling under the universal service, adjust the scope of the reserved area, set conditions for registration, set uniform tariffs for universal services and determine the necessary quality of service levels.

- There have been two assessments on the cost of the USO, the outcomes of which have differed significantly. In its annual report for 2007, the Competition Authority estimated the cost of providing the universal service for the year 2005 to be 700 million DKK (€ 94m). Another, more recent and more detailed study estimate by an independent company "Copenhagen Economics," published in February 2008, assessed the cost of providing the universal service at around 150 million DKK (€ 20m), based on a net avoidable cost calculation.

Discussion points

- After the decision of the Danish government to provide subsidies directly to publishers, a large number of publishers took over distribution themselves. This shows that it is likely that the former regime (in which Post Danmark delivered newspapers) was inefficient.

- A six-day delivery requirement in the universal service obligation is not always as burdensome as is often thought. Evidence in Denmark (in the form of statements of the NPO) shows that it may be commercially attractive to deliver six days. In such cases, compensation for provision of the universal services may not be necessary.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	
Parcel (main players)	Total: NPO >85% B2B: NPO ca. 50%	
Unaddressed	NPO: 50-60%	
Cross-border mail	Inbound: NPO ca. 95% Outbound: NPO ca. 91%	

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Addressed mail (market share CPOs)*	1-5%	CityMail
Population density (inhabitants/km^2)	126.0	
Total addressed mail market (items)	1.66 billion items	
Addressed mail volume per capita	306	
Status of NPO	Post Danmark is a public limited company. The Danish government holds 75% of the shares, CVC Capital Partners 22% and employees 3%	Share may change, as merger with Posten AB (SE) is considered
Main divisions of NPO	Business customers, Private customers, Courier, express and parcels, International post.	Plus four support divisions

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspapers. All figures refer to 2006.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The definition of the universal service in line with the Directive. There is State support in the form of a subsidy per item distributed, totalling an annual contribution of DKK 396 million (€ 53m). At the beginning of 2007, the Danish Government changed the subsidy scheme. From 2007, the subsidy is paid directly to the publishers of daily newspapers.
Reserved area	Delivery of domestic addressed letter mail and inbound cross-border mail <50g is reserved. Not in the reserved area are letters with uniform printed contents in transparent packaging.
Licensing and network access	Registration is required for the provision of postal services under 20 kilograms. There are no significant requirements for registration that can be considered a barrier. Access to the downstream network of Post Danmark is regulated by the NRA. The NRA monitors the development in prices according to the price model (which relies on the development in the service price index). In practice, hardly any use is made of downstream access to the network of Post Danmark.
Tariff principles and transparency of accounts	Services under the universal service are subject to a dual price control regime. Reserved services are subject to ex-ante regulation. These services are subject to a sum price cap model for a basket, but individual product prices within the basket can still be set by Post Danmark. Non-reserved services under the universal service obligation are subject to a price cap. The benchmark for prices is the services price index. The principles for regulation are in line with the Directive.
Quality of services	There are only standards for routing time. The standards for domestic routing

Aspect	Implementation and remarks
	time are: D+1: 93%, D+3: 95%. Both these standards are met. International routing times are in line with the Directive (J+3: 85%, J+5: 97%). It is unknown whether these standards are met or not.
The national regulatory authority	The NRA is Færdselsstyrelse ('Traffic Authority'). Their main powers are mainly limited to data collection. Five people (4 FTE) work at the postal unit of Færdselsstyrelse.

Country sheet: Estonia

Summary

Mail market characteristics

(i) A small country with a relatively low addressed mail volume per capita;
(ii) A reserved area for items of correspondence up to 50 grams has been re-instated;
(iii) There is a VAT exemption for Estonian Post for universal services;
(iv) There are heavy licensing requirements for delivery of items of correspondence;
(v) Regulatory uncertainty regarding postal market regulation.

Regulatory developments

- In Estonia, the reserved area consists of addressed mail (except direct mail), weighing less than 50 grams with a price less than 2.5 times the price of ordinary mail items. Whilst the postal market in Estonia was fully liberalised before 2006, the reserved area was reinstated in 2006.

- A licence is required for the provision of services as an economic activity within the universal postal service. The licence requirements include the obligation to provide part, or all of the universal postal services throughout the licensed area, but this requirement is not applicable for direct mail.

Market developments

- Competition in Estonia is still limited in the segment for items of correspondence. According to ECORYS, this is caused by the licensing regime and a number of other barriers to entry, including the fact that the distribution of addressed mail other than direct mail is not very profitable in the countryside. This lack of profitability can be illustrated by the yearly State subsidy to Estonian Post to support the delivery of newspapers and periodicals in the countryside.

- In 2002, the delivery of direct mail became possible for competitor postal operators without having to fulfil the tough licence criteria applicable to a universal service provider. This has allowed competition to develop in the direct mail market segment.

Other issues

- The performance of routing (transit) times is not monitored by an independent organisation and is not consistent with CEN standards. The NCA also does not monitor the method for measuring quality of service.

Discussion points

- ECORYS believes that the limited development of competition is caused by the licensing regime and a number of other barriers to entry, including the fact that the distribution of addressed mail other than direct mail is not very profitable in the countryside.

- One explanation for the reinstatement of the reserved area in Estonia is that the universal service is a burden when it comes to delivering in less profitable areas, such as the countryside. Given these circumstances, the choice for gradual liberalisation with one universal service provider can be considered as a reasonable approach.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	36 competitors
Parcel (non-express)	NPO: 100%	One competitor (D2D)
Unaddressed	NPO: 85%	Two competitors (AS Express Post and D2D)
Cross-border mail	NPO 100%	
Addressed mail (market share CPOs)*	NPO: 99% (items of correspondence) NPO: 92% (direct mail)	Items of correspondence: one competitor (D2D: 3%) Direct mail: three competitors (AS Express Post: 3-4%, D2D 3-4%, Kirilind: 0-1%)
Population density (inhabitants/km^2)	29.7	
Total addressed mail market (items)	70.3 million items	
Addressed mail volume per capita	59	
Status of NPO	Estonian Post is a public corporation (Estonian government is 100% shareholder)	
Main divisions of NPO	Mail, express, logistics, others	

Note: *The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006 or 2007.

Summary information on the implementation of the Postal Directives:

Aspect	Implementation and remarks
Universal service and its financing	The universal service includes ordinary, registered and insured letters weighing up to 2 kilograms, and ordinary, registered and insured postal parcels weighing up to 20 kilograms. The universal service in Estonia is applicable to domestic and international mail. Following the amendment of the Postal Act in 2007, the delivery of periodicals was excluded from the universal service as from 1 January 2008. Since 2002, the delivery of direct mail is considered as a separate and distinct service from that of the universal service. There is no arrangement for the financing of the universal service, but the delivery of newspapers and periodicals to the countryside is financially

Aspect	Implementation and remarks
	supported by the State.
Reserved area	The addressed mail market was formally liberalised before 2006, but a reserved area was reinstated in 2006. The reserved area consists of domestic items of correspondence below 50g, excluding direct mail.
Licensing and network access	A licence is required for the provision of services within the universal service area. A postal operator that possesses a licence must provide part, or all, of the universal postal services throughout the licensed area. Access is not mandatory and the access conditions are not regulated in the Postal Act. Access to the network of other postal operators is only allowed if there is a contract between the parties involved.
Tariff principles and transparency of accounts	The tariffs of universal services are regulated ex-ante. Tariffs must be cost-based and may contain 10% profit margin. All tariffs of universal services must be approved by the NRA.
Quality of services	There are only standards for routing time. The standards for domestic routing (transit) time is 90% for D+1. The standard for international routing time is J+3: 90%. Estonian Post meets both standards.
The national regulatory authority	The NRA is the Estonian Competition Authority (*Konkurentsiamet,* NCA). The NCA has nearly full regulatory powers except setting rates for the NPO. Four FTE are working at the postal unit of Konkurentsiamet.

Country sheet: Finland

Summary

Mail market characteristics

Finland is characterised by:

(i) Tough geographical circumstances in the rural areas (archipelago, sparsely populated areas and long distances between recipients). Nonetheless, the postal market in Finland is relatively mature with high volumes per capita and a developed market for direct mail.

(ii) The mail market has, however, been under pressure for more than a decade in Finland. The reason for this decline is the high degree of internet penetration in Finland, even in relation to other European countries, and the resulting degree of e-substitution. For example, the market share of letters in the market of written communication (SMS, email, telefax, letter) has strongly declined over the same period, dropping from 60% to 10% in 10 years. Also the volume of letters sent by consumers (individual letters) has showed a marked downward trend, on average over -9% a year for the past four years.

(iii) This pressure on postal volumes is expected to continue over the coming years, with the Finnish government already sending electronic invoices as of 2008 and having planned to receive all invoices electronically by the end of 2009, at the latest during the year 2010.

Regulatory developments

- The Finnish postal market has been fully liberalised since 1 June 1991. To provide postal services for addressed letter mail, operators require a license that contains the obligation to provide a daily delivery in the area chosen by the operator to households in Finland, except the Åland Islands. The operator is to pay a fee to the government when operations are limited to a highly densely populated area. There is a special law and a separate universal service provider for the provision of postal services for the Åland Islands, an autonomous region of Finland.

Market developments

- As a result of the licence requirements, competition in the addressed mail market has not developed. One competitor, Suomen Suoramainonta Oy (SSM), had a license to provide addressed mail services. However, it decided not to make use of the license as they felt the licensing conditions restricted their possible activities. As a result, they did not see chances to be competitive, do profitable business and offer attractive services. The license of SSM for the provision of addressed mail services has expired.

- With the new postal directive, the licence requirements will come under pressure, as competing postal companies other than the universal service provider, cannot be required to deliver mail five days per week, which has until now been required by law in Finland. As a result, competition in the addressed mail market may develop, most likely focused on mail delivery in the urban regions or possibly using (negotiated) access to the network of Itella. According to Itella, the national postal operator, increased competition will reduce the base for financing of the universal service and will possibly lead to a change in the principles of the universal service in Finland.

Other issues

- An interesting development is the strategy chosen by Itella Corporation, which includes expanding into upstream services and focusing on electronic messaging services. Facing the combination of a small home market, stagnating mail volumes and relatively severe geographical circumstances, Itella Corporation has set the goal to become the most customer-driven, innovative and profitable provider of messaging and logistics services in the Baltic rim.

- As part of this goal, Itella Corporation has moved in new areas, providing companies with printing, e-invoicing, information management and direct mail services that have become more important for their revenues. Itella Corporation aims to develop its business towards integrated information and materials flow management, enabling versatile messaging and logistics solutions. The development of hybrid and electronic services is therefore important to Itella Corporation. In addition, Itella Corporation foresees growth in e-business and focuses increasingly on logistics by strengthening its position on the domestic market. Itella Corporation has expanded abroad and is now operating in nine other countries, Sweden, Denmark, Norway, Germany, Estonia, Latvia, Lithuania, Poland and Russia, offering information and logistics services.

- Itella also focuses on increased automated 'delivery' of mail items. In March 2008, Itella started a three-month pilot project to test an automated parcel terminal, which offers a new way for consumers to pick up their parcels. The customers receive an SMS informing them of a parcel that has arrived and with which the locker in the automated parcel terminal can be opened. The automated parcel terminal increases the number of ways in which consumers can receive parcels. In the future, consumers can choose to pick up a parcel from the post office, from an automated parcel terminal or even have it delivered to their home.

Discussion points

- The withdrawal of the only competitor in the addressed mail segment since full liberalisation in 1991 suggests that the current license conditions in the Finnish postal market, according to which the universal service must be provided, are too strict for a *de facto* development in competition.

- ECORYS supports the social discussion as put forward by Itella on the desirability of five-day per week delivery of postal items, as for some countries it may be unattractive for the NPO to deliver five times per week without obtaining compensation for the extra costs that are incurred.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	
Parcel (main players)	NPO [unknown]	
Unaddressed	NPO 45%	SSM 45%, Letterbox 10%
Cross-border mail	NPO [unknown]	Competitors: DHL Global Mail, Spring, SPI, UPS and FedEx. Market shares unknown.
Addressed mail (market share CPOs)*	NPO: 100%	
Population density (inhabitants/km^2)	15.66	
Total addressed mail market (items)	2.8 billion items (excl. express)	
Addressed mail volume per capita	225	
Status of NPO	Limited liability company, 100% government owned.	
Main divisions of NPO	Mail communications, Logistics, Information logistics (upstream services)	Itella Mail Communication provides paper-based communication and delivery services. Itella Information provides multi-channel information logistics services for information flow management. Itella Logistics provides service logistics solutions for goods flow management.

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by the incumbent Itella Corporation. There is no arrangement for the financing of the universal service. Under the new Directive, the financing may become under pressure. A public debate on the financing of the universal service is expected.
Reserved area	The addressed mail market has been formally liberalised since 1991. Unaddressed mail has always been liberalised, even before 1991.
Licensing and network access	A license is required to provide services for addressed letter mail. Any licensed operator needs to provide postal services according to the Postal Services Act, including offering a full range of universal services (including fives times a week delivery to all households). The operator is to pay a fee to the government in case operations are limited to a highly densely populated area. The licensing regime has proven to effectively block competition in addressed mail delivery. Network access is available on negotiated basis. Competitors of Itella have

Aspect	Implementation and remarks
	complaints on access conditions, in particular they state that there is discrimination between the conditions of access for competitors and for customers. Itella has denied these claims.
Tariff principles and transparency of accounts	The tariffs of all services of the universal service provider are regulated on an ex-post basis. The principles for regulation are in line with the Directive.
Quality of services	There are only standards for routing time. The standards for domestic routing time are: D+1: 85%, D+2: 98%. Both these standards are met. International routing times are in line with the Directive. Performance varies, depending on the country of origin/destination.
The national regulatory authority	The NRA is FICORA. Their main powers are data collection and levying conditional fines. Eight to nine FTE are working at the postal unit of FICORA.

Country sheet: France

Summary

Market characteristics

(i) Very high domestic volumes (France has Europe's second largest postal market, after Germany);

(ii) An average population density, however, approximately 25% of the population live in rural areas which are often sparsely populated and include hills and mountainous territory;

(iii) A reserved area covering all services related to items of domestic correspondence, direct mail and incoming cross-border correspondence up to 50g and 2.5 times the basic tariff;

(iv) A broad universal service, including items of correspondence, newspapers, periodicals, catalogues, printed matter weighing 2kg or less and parcels;

(v) A well-developed upstream market where various mail houses and mail consolidators are active.

Regulatory developments

- Although in 1999 France implemented legislation setting out the limits of the reserved area according to Directive 97/67/EC, a thorough transposition of Directives 97/67/EC and 2002/39/EC was only completed in 2005. Law no. 2005-516 on regulation of postal activities reduced the reserved area to 50 grams and assigned responsibility for regulating the postal sector in France to the regulator for telecommunications (ART), which was renamed ARCEP. Full liberalisation is not expected to take place before uniform European liberalisation in 2011. The law defines four types of 'means necessary to competitors' (access rights).

Market developments

- In the cross-border mail, parcels and express segments, the degree of competition is significant and several large (international) operators compete with La Poste. An interesting trend is the increase in pick-up points for parcels, for example in tobacco outlets. Within the unaddressed segment the concentration ratio is very high, with Adrexo (merged with Kicible in 2006) and Mediapost (La Poste) competing with each other. The upstream market for mail preparation is of considerable importance in France, and this part of the value chain has been open to competition for many years. Various mail houses and mail consolidators are active (around 250), although a number of these consolidators are in the hands of La Poste and the others have limited market power as they operate under subcontractor status. The markets for direct mail preparation and administrative mail preparation are not very concentrated.

- In the addressed mail delivery segment, the results of competition are somewhat limited and less than what was expected some years ago. With the introduction of

Adrexo Mail in 2006 a second delivery network seemed to have been generated. However, Adrexo announced in February 2008 that it will withdraw from the addressed mail market. One of the main reasons for this was the postponement of the date of full liberalisation of the European postal market. Other reasons mentioned were: barriers for alternative postal operators in Europe and the rules that could be applied to alternative operators (e.g. financing of the universal service). With the closing down of Adrexo's addressed mail network the only alternative end-to-end delivery network for addressed mail (besides La Poste) will disappear. The estimated market share of La Poste in the delivery of addressed advertising mail and domestic items of correspondence is close to 98-99%. It is not likely that this (semi-monopoly) situation will change fundamentally before 2011.

- An interesting aspect is the international dimension of La Poste, especially in the (international) parcel and express segments. La Poste owns (or participates in) more than 200 subsidiaries in France, Europe and the non-European world. Strong brands are GeoPost (Chronopost and DPD) and Sofipost.

Discussion point

- The development of competition in France in the addressed mail segment is lagging behind. Since the closing down of Adrexo's addressed mail network the only party that could challenge La Poste on a national level (at least in theory) disappeared. According to ECORYS, this withdrawal is a clear example of the effect of regulatory uncertainty, and related to the implementation of European decision making. Adrexo expected full market opening in December 2008, but after the postponement of full market opening to 31 December 2010, Adrexo stopped (or paused) their investments and cancelled their attempt to create a dedicated network for addressed mail. In general, the postponement of European liberalisation seems to have caused a pause in the initiatives and investments by alternative postal operators to become active in the delivery of addressed letter mail.

Summary information on market developments:

Postal market segment/aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	TNT Express, Exapaq, GLS France
Parcel (main players)	NPO (n.a.)	Alveol, Adrexo/Distrihome, Kiala, Mondial-Relay, Sogep
Unaddressed	NPO/Mediapost (50%)	Adrexo (50%)
Cross-border mail	NPO (80-85%)	De Post/La Poste, DHL, DPWN, IMX, Royal Mail, Spring, Swiss Post, Let France Routage
Addressed mail (market share CPOs)*	1-2%	Adrexo stopped piloting a (local) dedicated addressed mail network in 2008; in the upstream market La Poste has a market share of only 10%
Population density (inhabitants/km^2)	111	
Total addressed mail market (items)	16.5 billion items (2006)	
Addressed mail	270 (2006)	

Postal market segment/aspect	Competition (market shares)	Main competitors / remarks
volume per capita		
Status of NPO	La Poste is a state enterprise	Since 1991, La Poste's legal status has been that of an 'exploitant autonome de droit public' – an autonomous business firm which serves the general interest
Main divisions of NPO	Mail, express, parcels, retail outlets and financial services	

Note: *The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding magazines, periodicals and newspaper delivery. All figures refer to 2007, unless stated otherwise. N.a. is not available.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO includes national and cross-border services for mail (including items of correspondence, newspapers, periodicals, catalogues, printed matter) weighing 2kg or less, parcels weighing up to 20kg, recorded delivery items and declared value items. The USO is financed by the reserved area. It is possible to put a compensation fund in place.
Reserved area	From 1 January 2006 the reserved area covers all services related to items of domestic correspondence and incoming cross-border correspondence up to 50g and 2.5 times the basic tariff. Books, catalogues, newspapers and periodicals are explicitly excluded from the reserved area. Direct (addressed) mail is seen as comprising domestic correspondence and therefore (< 50g) part of the reserved area.
Licensing and network access	Postal operators that provide non-reserved postal services relating to items of correspondence (including cross-border items) should hold an authorisation, unless their activity is limited to domestic correspondence and does not include delivery. Some general requirements are linked to the authorisation. Authorisation holders have access rights to (a part of) the La Poste network and to certain information kept by La Poste. The CPCE (law) distinguishes four types of 'means necessary to competitors'.
Tariff principles and transparency of accounts	The tariffs within the reserved area need approval by ARCEP, while for the services that fall under the universal service but not under the reserved area, La Poste should notify ARCEP before the changes will take effect. In June 2006, ARCEP introduced a price cap system regarding the universal service provided by La Poste. In the period 2006-2008, tariffs in relation to the universal service could not rise more than a determined yearly average of 2.1%.
Quality of service	The QoS objectives are fixed by the Ministry, annually by a ministerial order. Up to now, the (indicative) QoS levels to be attained have been defined in the contract signed between La Poste and the state (e.g. 'Le contrat de plan 2003-2007'). A new contract will soon be signed between La Poste and the state specifying the 'mission de service public' of La Poste for the period 2008-2012. In 2007, La Poste did not meet all of the quality criteria; 82.5% of the mail was delivered the next day, whereas the threshold was 85%, and the delivery of packages within two days was achieved in 85.8% of cases instead of 90%. For cross-border deliveries, performance was above target (95.5%, with an 85% threshold).
National regulatory	Since the end of 2005, ARCEP has been the independent postal regulator. Its activities

Aspect	Implementation and remarks
authority (NRA)	are mainly related to licensing, monitoring the universal service and accounting/price control of the USP. Nine employees work full-time on postal affairs, and they receive some support (2 full-time equivalents (FTEs)) from other services. Their regulatory powers are broad, including for example regarding the collection of statistical information.

Country sheet: Germany

Summary

Mail market characteristics

The main characteristics of the German postal market can be summed up as:

(i) A very large postal market with relatively high mail per capita volumes;

(ii) A variety of German publishers have their own regional delivery network for magazines and periodicals;

(iii) Relatively low prices for direct mail items as compared to transactional mail items by DPAG; and

(iv) A VAT exemption for DPAG (based on the EU VAT Directive) for (addressed) mail services under the universal service (including direct mail and bulk mail, excluding bulk parcel delivery).

Regulatory developments

- The German postal market has been fully opened to competition since 1 January 2008. For the conveyance - on a profit-oriented basis - of letter post items weighing less than 1kg an authorisation is required (a licence, see article 5 of the Postal Act). In the years before full liberalisation, almost half of the competitors operated on the basis of a so-called D-licence for higher quality and value added services within the price and weight limits of the reserved area. There is mandatory access to the network of dominant postal operators, in practice to the network of DPAG. As of 1 January 2008, DPAG increased the discounts for access mail from 3-21% to 8-26% and lowered the mail volume requirement to obtain these discounts.

- Only after an order by the Federal Cartel Office on 11 February 2005, DPAG provided access to competitors within the reserved area (with an appropriate licence issues by the NRA) at the same terms and conditions as to large customers.

- A law on minimum wages for the postal sector has become effective as of 1 January 2008, setting the minimum wage well above what was paid on average by CPOs in 2007. A number of CPOs filed a law suit against this law and the Berlin court ruled in March 2008 that the minimum wage should not be generally binding. However, the German government directly filed an appeal against the decision of the Berlin court and the decision is therefore not (yet) effective.

Market developments

- Until full market opening in 2008, competition was stimulated through the delivery of low weight (<50g) time-sensitive (transactional) mail using D-licences. At the end of 2007, around 850 companies were active in letter mail delivery. Many of these companies are small and operate at a local level. The larger postal operators operating at a regional level are often linked to German publishers who have entered into the addressed mail market.

- The attractiveness of operations under a D-licence, the relatively high public tariffs[3] linked with a relatively small price difference between public tariffs and access tariffs as well as the problems that competitors encountered to obtain access at the same terms and conditions as large customers within the reserved area have set strong incentives in Germany for investments by CPOs in alternative delivery networks with a focus on items of correspondence. The combined market share of CPO in the addressed mail market (within the licensed area, so, letter items up to 1kg) steadily rose to 10.4% in 2007.

- PIN Group and TNT Post have developed as the main nationally operating competitors of DPAG. At the beginning of 2008, both were able to deliver to about 90% of all German households using their own network and through entering cooperation agreements with a large number of regional and local partners.

- At the end of 2007, PIN Group ran into financial problems. The adoption of the minimum wage law added to the problems within PIN, but industry experts regard that flaws in the business model of PIN are the key reason for these financial problems. Some 40 out of the 90 companies forming the PIN Group, including the holding company, have filed for insolvency and a number have actually gone bankrupt. The stronger companies in the group will continue their postal operations; however, it is unlikely that PIN will continue as a group.

- ECORYS estimated that the application of the minimum wage law raises average unit costs of CPOs in the order of 9-12%. TNT announced that it may stop their operations in Germany if they are forced to pay the higher wages, but it remains speculation what will happen in future.

Other issues

- In political discussions about the postal sector, a number of politicians have expressed a negative opinion about the working conditions, particularly the (high) use of ‘mini-job’ contracts (temporary or part-time employment with a maximum monthly salary of € 400) by many CPOs and would like to see a movement towards more full-time and part-time contracts.

- DPAG was one of the first incumbents in the EU to be privatised. DPAG was also one of the first who invested heavily in restructuring its operations and in automated sorting, resulting in a reduction of staff for its services in the licensed area from more than 177,000 in 1999 to about 148,500 at the end of 2006.

[3] An exact comparison of retail prices between Germany and other European countries is problematic as a result of differences in mail product specification, like weight category, between Germany and the other countries. Ignoring this problem, a comparison of tariffs for single item priority letter mail in the lowest weight category shows that the retail price in Germany is relatively high in terms of PPS (0.53) to the tariff in other main European nations, like the Netherlands (0.42) and the UK (0.43).

Discussion points

- After full market opening from 1 January 2008, Germany took the approach of still having a universal service (as obliged under the Postal Directive), but no longer a designated universal service provider. At the moment, Deutsche Post (DPAG) has accepted to provide all services under the universal service. If DPAG decides not to continue to provide all the universal services, for example delivery in a certain city or region, the NRA has the obligation to start a procedure (described in detail in the Postal Act) ensuring that the universal service is provided.

- Germany switched from ex-ante regulation of access conditions to ex-post control since 1 January 2008. Germany was the only country to regulate the access prices to the delivery network ex-ante.

- In Germany, the wages for mail deliverers included in the minimum wage law are about 30% higher than the wages that were actually paid by CPOs and also substantially higher than the minimum wage in certain comparable sectors. CPOs have filed a law suit arguing that the minimum wage law is not proportionate and would distort competition to an unfair degree. Also from a European perspective, it is possible that the introduction of a (sectoral) minimum wage can hinder the development of competition in other European countries. It is necessary for governments to use a well-balanced approach in order to protect working conditions on the one hand and develop competition on the other.

- In a broader perspective, this minimum wage law in Germany (coupled with the differences in labour conditions between TNT and the main CPOs in the Netherlands) has been presented as the main argument (in addition to the lack of a level playing field in Germany, the Netherlands and the UK because of the differences in VAT exemptions of the NPOs) to postpone full market opening in the Netherlands. Although it is not entirely clear that these arguments are properly used in the Netherlands, the developments in Germany have definitely some effect and radiation in the rest of Europe.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	DPD, FedEx, GLS, Hermes, TNT, UPS
Parcel (main players)	NPO (38%)	
Unaddressed	n.a.	n.a.
Cross-border mail	NPO (>80%)	Spring, Austrian Post and La Poste (France)
Addressed mail (market share CPOs)*	10.4% (licensed area, letter items up to 1kg)	TNT Post, PIN Group (parts of the group in insolvency), many regional/ local operators; market segmentation differs compared to other countries described in this study
Population density (inhabitants/km^2)	231.47	
Total addressed mail market (items)	17.6 billion items	Within area subject to a licence,

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
		excluding magazines and periodicals
Addressed mail volume per capita	213	
Status of NPO	DPAG was transformed into a joint stock company in 1995; in 2000 the initial public offering was carried out	31% of the stock is owned by the public financial organisation KfW, 69% are on the stock exchange (free float)
Main divisions of NPO	Mail (Deutsche Post), express and logistics (DHL), financial services (Postbank) and other services (Services)	The Services division bundles group-wide internal services like (i) global business services, (ii) Deutsche Post retail outlets and (iii) the corporate centre

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding the delivery of magazines, periodicals and newspapers. All figures refer to 2007. N.a. is not available.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The NRA has to ensure that all universal services are provided. Since January 2008, DPAG is no longer obliged by law to provide a universal service, but is still bound to provide it (insofar as it must give a six month notice of its plans to cease this service). DPAG can, with six months notice, indicate to the NRA that it plans to stop providing part of the universal service. In this case, the NRA should find a postal operator willing to deliver these services without additional compensation or – if unsuccessful – may oblige an operator with a dominant market position or – if not feasible without compensation – launch a tender procedure for delivering this specific part of the universal service.
Reserved area	The mail market was fully liberalised on 1 January 2008.
Licensing and network access	The conveyance - on a profit-oriented basis - of letter mail items weighing not more than 1kg requires authorisation (a licence). The operator has to comply with a number of specific requirements (e.g. employment conditions). Providers of other postal services (e.g. conveyance of parcels) have to register. There is mandatory access to the network of a dominant postal operator (currently DPAG) under conditions considered reasonable by the NRA (the retail price minus avoided cost is the basis for assessing whether discounts are reasonable).
Tariff principles and transparency of accounts	Prices of services by a dominant postal operator (i.e. DPAG) for single piece letter mail have to be approved ex-ante (ex-ante price regulation). The NRA uses a price cap with a productivity-progress index (an RPI-X regime) with X set at 1.8% for 2008-2011. Since January 2008 the prices of bulk mail services (≥ 50 items) do not have to be approved ex-ante, but are subject to ex-post price control. Until the end of 2007, the access tariffs were regulated ex-ante.
Quality of services	There are specific quality standards which apply to the universal service (such as number of letterboxes and fixed-location facilities). For end-to-end transit time the thresholds are for D+1 80% and for D+2 95%. DPAG has performed above these thresholds in recent years.

Aspect	Implementation and remarks
The national regulatory authority (NRA)	The NRA is Bundesnetzagentur. The NRA has a complete set of regulatory powers.35 people within the NRA are involved with postal affairs.

Country sheet: Greece

Summary

Mail market characteristics

The Greek mail market is characterised by:

(i) Difficult terrain for part of the country;

(ii) Low mail volumes per capita;

(iii) A VAT-exemption for the NPO;

(iv) Little regulatory interference.

Regulatory developments

- In 2003, Law 3185 was introduced in order to harmonise Greek postal regulations with Directive 2002/39/EC. The reserved area in Greece includes addressed postal items below 50 grams and up to two and a half times the tariff in the first weight.

- In Greece, ELTA has been designated as the sole Universal Service Provider (USP). ELTA is under the obligation to meet the quality standards and the delivery times which are described in the relevant Ministerial Decision (MD).

- A licence is needed for the provision of universal services. There are no significant barriers to obtain a license.

Market developments

- Total turnover of the Greek postal market in 2006 amounted to € 671 million, compared to € 631 million in 2005 (including parcel mail and express). As of 31 December 2006, the Greek NPO's market share in the total mail market amounted to 93% in terms of volumes, and 60.3% in terms of turnover.

- Competition in the (licensed) universal service area – and hence the addressed mail market - is still very limited. The five individual licensees have obtained a market share of 0.9% and 0.4% in terms of volumes and turnover, respectively.

- The market for express courier services is a competitive market with both increasing revenues and volumes. In 2006, this market reached a turnover of € 263 million, corresponding with 45 million items. Of the total mail market, this equals a share of 6.1% in terms of volumes, and 39.3% in terms of turnover.

- As of 31 December 2006, the number of postal operators with a general authorisation increased to 341. The number of registered postal operators almost doubled during the period 2000-2006. However, there is still a high degree of concentration, since over 76% of the market in terms of volume is occupied by the five biggest sector companies. The total revenue of the same enterprises represents 69% of total market turnover. However, both of these figures seem to be decreasing.

- There is a VAT exemption for ELTA on the provision of universal services. No other barriers to entry are known.

Other issues

- The number of jobs in the Greek postal sector increased 5.8% between 2004 and 2006. Moreover, there appears to be a gradual shift from part-time to full-time employment.

Discussion points

- Although ECORYS observes that courier services face substantial competition, it also notes that ELTA still enjoys a dominant position, because of current license, VAT and access regimes.

- Currently, the legal and geographic environment in the Greek postal market enable ELTA to provide postal services with medium to low productivity without reaching the prescribed quality of service standards and still enjoy an overall market share of 93%.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Market share of USP overall: 93.0% in volume; 60.3% in turnover	Market shares of general authorisation licensees: 6.1% (volume), 39.3% (turnover); *Addressed mail:* Market shares of individual licensees: 0.9% (volume), 0.4% (turnover)
Parcel (main players)		
Unaddressed		
Cross-border mail		
Addressed mail (market share CPOs)*		
Population density (inhabitants/km^2)	84.29	
Total addressed mail market (items)	655.2 million	Excluding express and parcels
Addressed mail volume per capita	58.9	
Status of NPO	Incorporated	90% state-owned, 10% by Hellenic Postal Savings Bank
Main divisions of NPO	Letter mail, Retail network, Financial products	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO includes the handling of: • Simple postal items of A and B Priority (letters, bills, magazines etc), both domestic and international, weighing up to 2 kilos; • Parcels (domestic and international), weighing up to 20 kilos; • Registered letters (domestic and international); • Letters of a declared value in case of destruction, loss etc. In Greece, Hellenic Post (ELTA) has been designated as Universal Service Provider (USP).
Reserved area	Addressed postal items below 50 grams and up to two and a half times the tariff in the first weight category are included in the reserved area and includes direct mail and cross-border mail.
Licensing and network access	A licence is needed for the provision of postal services within the universal service (excluding the reserved area). For the provision of services outside the universal service, a general authorisation is sufficient. Under both regimes, licensees need to meet certain conditions, including confidentiality of mail, accepting a Charter of Obligations towards Consumers (COC) and there is a licence fee. There is no mandatory access to the network of ELTA.
Tariff principles and transparency of accounts	The Ministry of Telecommunications (MTC) is authorised to issue a regulation on the pricing rules of universal services. There is also regulation that describes the methodology for calculating costs.
Quality of services	The USP has performed just below quality of service standards in the past few years. Moreover, operators in the liberalised segment would also not meet these standards.
The national regulatory authority	The NRA in Greece is EETT. EETT has several competences in order to promote the development of the postal sector, the availability of the USO, and to check postal operators' compliance with several legal obligations. 15 staff members are involved with postal issues within the NRA.

Country sheet: Hungary

Summary

Mail market characteristics

(i) Geographically, Hungary is a mixed terrain with the country consisting of about fifty percent flatlands, with the remaining fifty percent made up of lightly mountainous terrain. It has an average population density;

(ii) A relatively small number of mail items per capita;

(iii) The NPO is VAT exempt for the provision of universal services;

(iv) A licensing regime that requires the provision of a full universal service in the licensed administrative areas.

Regulatory developments

- With the Postal Act 2003, Hungary complies with Directives 1997/67/EC and 2002/39/EC. The reserved area consists of postal items up to 50g, or 2.5 times the basic price, both domestic and cross-border (inbound and outbound). Courier post, express mail, integrated post and the exchange of documents do not fall within the scope of the universal postal service.

- Provision of universal services requires a licence. One of the conditions for obtaining a licence is that a universal service is provided for a specified set of public administration areas. The possible areas for which a licence can be obtained are:
  - one or more towns except cities;
  - at least one county except Pest county;
  - Pest county plus at least one more county;
  - Budapest and at least two more counties except Pest county;
  - the whole territory of the country.

- With this licensing regime, it has become impossible for competitors to select only the most profitable areas for the provision of mail services within the universal service.

Market developments

- In 2006, the volume of the total addressed mail market in Hungary was 840 million items. Including unaddressed mail and newspapers, the size of the market is estimated at 2.3 billion items.

- At the moment competition is non-existent in the non-reserved universal service area because of the licensing requirements, which – as indicated above – try to prevent so-

called cherry picking. In the non-universal service segments, competition is strong, except for the express market.

- In the (addressed) direct mail market, Magyar Posta had a market share of 100%. In 2006 in the express market, Magyar Posta had a market share of 82% in revenues. In the courier market, Magyar Posta had a market share of 5% in volume and 1.5% in revenues. In the market for integrated post, Magyar Posta was not active at all.

Discussion points

- In the new Hungarian licensing scheme the universal service provider must also offer its services in at least two more, less profitable areas. It is likely that this is a too strict regime for competing postal operators. However, the small number of addressed mail items per capita, the current VAT exemption and the existence of the reserved area, also contribute to the current lack of success of the policy regime.

- Further, it is interesting to see that competitors have been quite successful in the segment for integrated post, a kind of track-and-chase service (see note under the next table) which is not part of the universal service. The competitors of Magyar Post found a market niche the incumbent did not cover.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express Parcel (main players)	NPO: 82% express NPO: 1.5% courier	DHL: 31% 'integrated post' (1), GLS: 17% 'integrated post', Byrex: 18% express, Hajtás pajtás: 17% courier, Orient: 15% courier
Unaddressed (2)	Competitive	
Cross-border mail	NPO: 100% market share	Both incoming and outgoing cross-border mail < 50 grams is reserved. Nobody applied for a universal service licence for the non-reserved area
Addressed mail (market share CPOs)	NPO: 100%	Including direct mail
Population density (inhabitants/km^2)	108.11	
Total addressed mail market (items)	839.8 million	
Addressed mail volume per capita	83.5	
Status of NPO	Joint stock company, 100% government owned.	Shares in the hands of Hungarian National Holding Company
Main divisions of NPO	Letter mail, Financial services, Logistics services, Postal network, International business	

Note: (1) According to the definitions in the Postal Act, integrated post is a postal service whereby the management of the postal item is traceable also by the sender and, in the absence of an opposite instruction, by the addressee. Its personal delivery is supplemented by at least one of the following special postal services if the user so requires and in accordance with his choice: receipt of the postal item in a place designated by the sender; guaranteed delivery time service; delivery of the item to a new address in the event of a change in the addressee; verification of delivery; personalised service. (2) Unaddressed is not defined as postal service by the Postal Act. Figures refer to 2007.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The universal postal service includes postal services related to both domestic and international letters, direct mail and printed matter not exceeding two kilograms; postal services relating to both domestic and international postal parcels not exceeding twenty kilograms; postal services relating to both domestic and international items containing writing for the blind not exceeding seven kilograms.
Reserved area	< 50 grams and below 2.5 times the price of a standard first class letter item for both domestic and incoming and outgoing cross-border mail. Direct mail < 50g is included in the reserved area.
Licensing and network access	A licence is needed for the provision of services within the universal service area. One of the licence conditions is the provision of universal services in the licensed areas. There is mandatory access to the network of a universal service provider. Entitled to this access are licensed postal service providers who request access to provide postal services to an area where they do not have a postal network suitable for delivery.
Tariff principles and transparency of accounts	Prices of the domestic reserved services are set by the government on the recommendation of the USP (ex-ante regulation). Tariffs have to be based on the costs of providing the service and shall be non-discriminative and affordable by the users. Pricing has to be transparent.
Quality of services	Quality of service regulation includes standards for transit time regulation, standards on lost and damaged mail and a standard for readability of postal date stamps. There are transit time standards for three categories of postal items (priority, non-priority items and parcels). All these standards are met by Magyar Posta. QoS on transit times is monitored by an independent organisation. Other requirements are monitored by the NRA.
The national regulatory authority	The NRA is the National Communications Authority (NCAH). NCAH has a near full range of powers, with the exception of setting rates and cancelling unlawful rates. There are approximately ten FTE dealing with postal issues.

Country sheet: Iceland

Summary

Mail market characteristics

(i) Iceland is a very sparsely populated island;

(ii) The Icelandic postal market is small compared to other European countries.

Regulatory developments

- Having signed the Agreement on the European Economic Area, Iceland has made a commitment to adopt all of the EC Directives in the fields of electronic communications and postal services. Consequently, the reserved area has been reduced to 50g per 1 January 2006 and Iceland has defined the universal service in line with the EC directives. Direct mail and cross border mail weighing less than 50g are part of the reserved area.

- The NPO is required to publish accounts and within them there must be an analysis between revenues and expenses across reserved, USO non-reserved and non-USO non-reserved services. All areas recorded an operating profit in 2006 and 2007.

Market developments

- Because of the size and demographics of Iceland, the mail market is not developed as in other Western European States. There is one competitor (Pósthúsid), which mainly deals with unaddressed items.

- Iceland Post remains the dominant player in all postal market segments including express where it is an agent for TNT. TNT Express is run as a separate division within Iceland Post with separate accounting. Iceland Post owns the print firm Samskipti.

- According to a ruling of the Competition Authority, private operators have downstream access to Iceland Post's network for transport and delivery of letter mail items outside the scope of the reserved area in towns with 500 addresses or less.

- Pósthúsid uses downstream access for unaddressed items, direct mail and newspapers/periodicals. Pósthúsið offers its customers a variety of services, including delivery of magazines and mass mailings, packing and handling of goods and delivery.

- In the short term, it is unlikely that competition will develop in the addressed mail market because of the reserved area.

Other issues

- Iceland Post has calculated the cost of the USO as the cost of maintaining the current level of postal services (post offices and delivery) in towns and areas where competition is unlikely to develop (villages and rural areas). Iceland Post receives no funding towards the cost of the USO other than through postal tariffs. The NRA has not calculated the cost of the USO from an economic perspective.

- Based on an ECORYS calculation using Iceland Post's 2007 Annual Report, from an accounting perspective, in 2007 the operating cost (accounting – not net cost) of the USO services was reported as 38m euro in 2007, and 35.7m euro in 2006. This was an increase of 6.4%. In the same period labour costs increased by 10.5%.

- All employees, except top-level management, are unionised. The relationship between management and unions is cooperative. Icelandic labour unions are decentralised and non-political. For many years some of them have broadly supported wage restraint under tripartite agreements with employers and the government.

Discussion Points

- The development of competition is substantially hindered by both the geographic conditions and the reserved area.

- There seem to be some uncertainty concerning the individual license, as article 15 of the Postal Services Act states that a licence may include "one or more" of the mentioned requirements. ECORYS is of the opinion that ambiguity concerning an individual license is a source of legal uncertainty and, hence, a barrier to entry to competitor postal operators.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO > 95%	The NPO is an agent for TNT Express
Parcel (main players)	NPO > 95%	
Unaddressed	NPO > 90%	Pósthúsið
Cross border mail	NPO > 95%	
Addressed mail (market share CPOs)*	< 2	Pósthúsið
Population density (inhabitants/km^2)	2.9	
Total addressed mail market (items)	0.05 billion items	
Addressed mail volume per capita	167	
Status of NPO	State owned	
Main divisions of NPO	Mail, parcels, express, counter and financial services	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2007.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO is in excess of minimum requirements included in the EC postal directives. The published accounts show the USO to be profit making The NRA has not calculated the economic cost of the USO.
Reserved area	Iceland implemented the 50g limit in 2006; the reserved area includes bulk (direct) mail and cross-border mail.
Licensing and network access	Postal services may not be operated without a general authorisation or individual licence, as granted by the NRA, except in the case of postal items sent within a company, including those sent between different places of business of that company. Downstream access is available to other operators via a ruling by the Competition Authority.
Tariff principles and transparency of accounts	Iceland Post is required through legislation to publish accounts and within them there must be an analysis between revenues and expenses across reserved, USO non-reserved and non-USO non-reserved services. The tariff of an individual licence holder for providing universal services (the NPO) is subject to supervision by the NRA [ex post] and individual licence holder's tariffs for services covered by exclusive rights (the reserved area) are subject to the NRA's [ex ante] approval.
Quality of services	Targets of 85% next day delivery and 97% delivery within three days of posting have been set by the NRA. Other targets are in line with EC requirements. CEN standards are applied. All national and cross border targets have been met or bettered.
The national regulatory authority	The NRA is the Post and Telecom Administration (PTA). PTA is responsible for administration of electronic communications and postal affairs in Iceland, as provided for in the Act on the Post and Telecom Administration and other legislation. PTA is an independent institution under the ultimate administration of the Minister of Communications.

Country sheet: Ireland

Summary

Mail market characteristics

(i) Developments in the Irish postal market are influenced by significant growth of Ireland's economy over the last few years contributing to mail generation (it is expected that economic growth may slow down the coming years);

(ii) A relatively low population density;

(iii) The absence of a national postal code system covering all households in Ireland (an elementary one exists for Dublin);

(iv) A rather critical opinion of customers about the price/quality ratio that the national postal operator An Post is currently able to offer;

(v) A VAT exemption of An Post for most of its services.

Regulatory developments

- The reserved area has been reduced in line with the Postal Directives. Apart from domestic mail weighing less than 50g, inbound cross-border mail and direct mail is part of the reserved area. Regulation within the postal sector in Ireland appears "light touch" when compared to some other Member States. Although ComReg has said they are *"pro competition"* and with market entry requirements relatively minimal, it is highly unlikely that the reserved area will be reduced in advance of 2011.

- In the last two years, the main areas of regulatory activity by the NRA (ComReg) have been in relation to accounting and price control and in preparing for the opening of postal markets to competition.

- In December 2006 ComReg issued a new and revised accounting Direction to An Post following a consultancy study and public consultation. During 2006 ComReg defended legal proceedings challenging its decision not to concur with an increase to 60c for reserved stamped letters. In March 2007, following undertakings by An Post to review all its prices once accounts in compliance with the new accounting Direction were available, ComReg concurred with a smaller increase (to 55c), while the price of non-reserved letters was reduced to the same level.

Market developments

- Related to the reserved area of 50g on the majority of letter mail, there has been little or no further development in terms of competition in the addressed mail market. There are two competitors operating an end-to-end delivery service. DX operates within a niche market of B2B and document exchange nationwide, while DEPS provides a service similar to registered post in major urban areas. A larger number of

competitors provide parcel, express and courier type services. Both GLS and DHL operate a network of parcel shops for private consumers and small businesses wishing to send parcels and express items respectively. The main issues for competitors are the VAT exemption of the NPO and the lack of postcodes and a Postcode Address File.

- It has not been possible to fully gauge the size of the total market in terms of value, however, the NPO reports in its 2006 Financial Accounts revenues of € 594.3m for its mail services. A relatively small percentage of this will be attributable to parcels and unaddressed items, and therefore it may be estimated than in 2006 the addressed letter market was worth in the region of € 570m.

- ECORYS (2005) reported that the total postal market in volume terms was estimated to be in excess of 1008m items. Given that NPO has been reporting continued growth in the letter market, and that it would appear the express and parcel market are still growing, it may be estimated that the market, in volume terms may now be in the region of 1050m items (assuming a modest overall growth of 2% per annum).

Other issues
- During 2006 An Post completed an automation programme, enabling it to sort mail to route level. An Post has stated that a project, which will commence shortly, will improve the automatic read capability of the sorting machines.
- Qualitative research by Millward Brown IMS did not provide any conclusive evidence in terms of links between e-commerce and postal services, however implicit in the findings is that e-commerce appears to be driving up the use of postal service, particularly in the packet/parcel format. This is to a degree borne out by An Post and others introducing new services to meet this need.
- An Post is one of the larger companies within Ireland, and as such employs a significant number of people across its retail and mail businesses. In addition further employment opportunities are generated through its sub contractors and agents. It appears that there is a move away from full time to part time employees and a reduced dependency on temporary staff.

- In 2006 the NPO employed, in total, over 9,500 employees. Other postal operators, across the full spectrum, are known to employ in the region of 1,000 (either directly or indirectly) people, which can probably be at least doubled to account for those companies where no data were available.

- Union strength is still considerable within the NPO but not evident in the majority of other postal operators. The Communication Workers Union represents employees of UPS and DPD (formerly Interlink) within Ireland.

Discussion points
- Three issues provide evidence for a need for discussion on the scope of the Irish universal service, namely (i) the current disagreement between An Post and ComReg on the scope of the universal service and (ii) the calculation of terminal dues as well as (iii) the gap between the quality of service standards and performance. Moreover,

the situation supports ECORYS' general recommendation of a (more) uniform definition of the USO.

- In nearly all European Member States, there are no issues regarding access to the postal code system. In Ireland, however, there is no nationwide postal code system, let alone access to it. ECORYS agrees with the many customers and CPOs in Ireland who have stressed the importance of developing a postal code system, but does not have an opinion about who should bear the costs.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	DHL, UPS TNT, Fedex, Nightline
Parcel (main players)	Competitive	GLS, DHL, TNT, DPD (La Poste – FR), Nightline
Unaddressed	Competitive	Door to Door Distributors, The Leaflet Company, Publicity Mailing
Cross-border mail	NPO > 75%	Spring, TNT and DHL Global
Addressed mail (market share CPOs)*	< 1%	DX, DEPS
Population density (inhabitants/km^2)	60	
Total addressed mail market (items)	0.8 billion items	
Addressed mail volume per capita	190	
Status of NPO	State owned company	
Main divisions of NPO	National Postal Service, Post Offices (agency remittance and other services), Other Services	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO is in excess of minimum requirements. There is currently no provision for financing. The last published results (2004) showed a loss because of the low compensation received for inbound international mail.
Reserved area	Reduced to 50g in 2006 and includes bulk (transactional and direct) mail. Outbound cross-border mail was fully liberalised in 2004. There is unlikely to be any further liberalisation before 1 January 2011.
Licensing and network access	Within Ireland there are in fact no licensing requirements, however, all postal service providers other than An Post with an annual turnover of more than €500,000, excluding VAT, must obtain a postal service authorisation from the NRA ComReg. Holders of the authorisation have to give ComReg a written declaration that the postal services provided by the applicant do not infringe the reserved area. No requests have been made for access, except by universal service providers from other countries for mail originating in other jurisdictions (primarily Britain). Access prices are subject to EC tariff principles and refusal to supply would be an

Aspect	Implementation and remarks
	abuse of a dominant position under Competition Law.
Tariff principles and transparency of accounts	There is ex-ante control on reserved services and ex-post enforcement of compliance with tariff principles for non-reserved services for the NPO. NPO regulatory accounts are not published, but provided to the NRA. Public consultations are taken on pricing matters.
Quality of services	Targets of 94% next day delivery and 99.5% delivery within three days of posting have been set and published for An Post's single piece mail items in Ireland. Other targets are in line with EC requirements. CEN standards are applied. Cross-border targets were exceeded in 2007. National targets have not been met There is a significant shortfall (77% D+1 in 2007) although year on year performance has been improving.
The national regulatory authority	The NRA is ComReg (Commission for Communications Regulation). Its main powers are ensuring compliance by An Post (NPO) with its obligations in respect to the universal service (access points, collection and delivery, pricing, quality, information, complaints) and authorisation of other operators. There are five full-time dedicated staff, but about 7-8 FTE when considering ad hoc resource employed.

Country sheet: Italy

Summary

Mail market characteristics

The postal market is characterised by:

(i) A high population density and a high degree of urbanisation;

(ii) relatively low mail volumes per capita;

(iii) direct mail (addressed advertising mail) is not included in the reserved area;

(iv) both inbound and outbound cross-border mail are included in the reserved area;

(v) a VAT-exemption for all universal services provided by the USP;

(vi) there are many (small) companies with a universal service licence, but only one company (Poste Italiane) with a universal service obligation (with the right to operate within the reserved area);

(vii) a certain percentage of mail collected by Poste Italiane (including registered items) must continue to be delivered through (city mail) competitors.

Regulatory developments

- The reserved area was reduced from 100g to 50g at 1 January 2006 – in conformity with Directive 2002/39/EC. In accordance with the recent adoption of Directive 2008/6/EC, full liberalisation of the postal market is now scheduled to occur in 2011.

- Until 16 May 2008, the Ministry of communications was responsible for defining and managing the regulatory framework for the postal sector and was the official regulatory authority. By order of Legislative Decree May 16, 2008, n. 85,[4] the functions of the Ministry of Communications and its inherent financial, material and human resources, are transferred to the Ministry of Economic Development.

Market developments

- Poste Italiane holds a dominant position in addressed mail deliveries. The main competitor (TNT Post) is mainly active in the unaddressed mail market and registered mail. In addition, there are many (small) companies active in local mail delivery.

- Since December 2007, competition has gained a possible boost as a percentage of mail items that is collected by the universal service provider (including registered mail) has to be delivered by competitors of the USP. The Ministry of Communications and the National Competition Authority considered that this was an important step towards the full opening of the market. The delivery offer to competitors was established by an open and non discriminatory tender.

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4 Published in the Official Gazette – General Series – no. 114 16 May 2008.

- Further development of competition is hampered by the existence (and extent) of the reserved area and the VAT-exemption for Poste Italiane on universal services. In addition, the scattered population in Italy strengthens the importance of Poste Italiane's network (to which no competitor has demanded access so far).

- There has been some debate about direct compensation from the Government to cover the losses of the universal services (these subsidies were in addition to the finances from the Universal Service Fund). The European Commission, recognised that the public funds granted to Poste Italiane for years 2000-2005 and for 2006-2008 respected the European law on State aid, since they under-compensated the costs of the universal services. However, the commission "regrets that Italy put the aid in question into effect" as the measure "is liable to affect […] trade and distort competition".[5]

- Competitors such as TNT and Uniposta/Omnio Network have been investing in (future) expansion that mainly focuses on business to consumer services. The investments are in network expansion, printing capacity, integrated communication services, and mail order.

Other issues

- Both the NPO and its competitors are investing heavily in increasing productivity, network extension and diversification.

- Over the last five years, Poste Italiane has managed to transform its post offices from a loss making into a profit making network. Because of installed IT-systems, rural post offices can connect to the main office and start selling mortgages, bank accounts, and insurance. Overall, however, the mail service remains loss making because of the universal service obligation. According to an article in *Fortune* (June 12, 2006), the losses are said to result from the universal service requirement to deliver mail across the country five days a week, even in unprofitable (rural) areas.[6]

- TNT is using its network to diversify into mail order, as it recently signed an agreement with Mr. Price (one of the most important online sales websites of electronic products in Italy). Thereby it anticipates a large growth potential of the market for B2C parcel deliveries.

Discussion points

- The scope of the reserved area and the VAT exemption for the USP imply that the market for addressed mail in Italy has not been very contestable. Although the Italian market does not differ from most other European countries in this respect, in Italy the provision of the USO requires additional funding, beyond the returns of the reserved area. In many other countries with a scattered population such financial support is not needed (for example in France and Spain). These funds may have a hampering effect

5 http://ec.europa.eu/comm/competition/state_aid/register/ii/doc/NN-24-2008-WLWL-en-30.04.2008.pdf.

6 See http://money.cnn.com/2006/06/09/news/international/poste_fortune/index.htm.
ECORYS confirms that the costs of the universal services exceeded the revenues considerably. This statement is based on classified data from the "Accounting Separations 2004-2006, National Regulatory Authority, Service Agreements Poste Italiane – Communication Ministry 2003-2005 and 2006-2008", which was provided to ECORYS by Poste Italiane.

on the development of competition. However in light of the regulatory barriers in place (reserved area, VAT exemption), the additional effect on the development of competition is likely negligible.

- The impact of the 2007 memorandum, forcing the USP to make use of competing networks for delivering a certain percentage of mail, can be seen as a positive effect on the development of competition. It helps competing operators to further develop towards a competitive delivery network for the period after 2011.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO has 11.4% market share in the domestic market	DHL (DPWN), TNT express, FEDEX
Parcel (main players)	See above	The market share in parcel deliveries within the universal service area is unclear
Unaddressed	n.a.	Exact number of unaddressed mail items is unknown
Cross-border mail	Inbound and outbound: NPO ≈100%	
Addressed mail (market share CPOs)*	5% - 15%	Market data are very unreliable. Other competitors are TNT Post and (possibly) Uniposta
Population density (inhabitants/km^2)	195	
Total addressed mail market (items)	6.8 billion items	Market data are very unreliable
Addressed mail volume per capita	≈ 115	
Status of NPO	Limited liability company	65% state owned; 35% owned by the public savings bank (Cassa Depositi e Prestiti)
Main divisions of NPO	Mail, Banking, Express	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006. N.a. is not available.

Summary information on the implementation of the Postal Directive is given below.

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by the incumbent Poste Italiane. Other providers have a licence to provide universal services (outside the reserved area) but only Poste Italiane is obliged to deliver in all of Italy. The USO is VAT exempted and financed from the reserved area. Any costs not covered by the returns from the reserved area should be financed by a Universal Service Fund. In practice, however, the finances from the Universal Service Fund and additional subsidies were not sufficient to cover the net costs of the universal service.

Aspect	Implementation and remarks
Reserved area	Reduced to 50g at 1 January 2006. Full liberalisation is not expected until 2011. Both in- and outbound cross-border mail are part of the reserved area. Direct mail is liberalised.
Licensing and network access	(i) A universal concession is needed to provide universal services and to have the right to operate within the reserved area; (ii) A universal licence is needed for universal postal services; (iii) Poste Italiane is not obliged to provide access to third parties.
Tariff principles and transparency of accounts	(i) The tariffs for the universal service are capped, with the level depending on the inflation rate, productivity gains and the difference between quality objectives and results. (ii) The prices are subject to ex ante price regulation by the NRA. The competition authority may intervene “ex post” in the light of the competition law. (iii) The NPO is required to submit annual accounts to the NRA that must show separate information on the reserved area, universal services and activities outside the universal service (accounting separation). They are verified by an independent auditor and are submitted to the NRA for approval.
Quality of services	Quality standards are set mainly concerning delivery time. Poste Italiane meets these requirements. The NRA controls the achievement of them. Other important elements about service quality are the presence of appropriate points of access for the users, the postal offices opening times and the existence of simple complaint procedures.
The national regulatory authority	Since 16 May 2008 The Ministry of Economic Development took over the responsibility as regulatory authority from the Ministry of Communication. It is responsible for issuing licences (and determining requirements); setting maximum tariffs, cancelling tariffs and setting new tariffs (and penalties if ceilings are not adhered to); requiring data and studies from both the USP and non-USPs; and in cases of serious violations of universal service obligations, the Ministry may launch investigations to ascertain any failures and may apply sanctions.

Country sheet: Latvia

Summary

Mail market characteristics

The Latvian postal market is characterised by:

(i) a relatively low population density;

(ii) relatively low mail per capita volumes;

(iii) direct mail as well as cross-border mail (both in- and outbound) being included in the reserved area;

(iv) a VAT exemption of Latvian Post for all services;

(v) little regulatory interference in the postal market.

Latvia Post provides a wide spectrum of services throughout the entire Latvian territory, while private operators mainly provide express mail services in urban areas. Delivery of unaddressed advertisement materials is provided mainly by marketing companies.

Regulatory developments

- The reserved area was reduced from 100g to 50g at 1 January 2006, in conformity with Directive 2002/39/EC. Full liberalisation was foreseen in 2009 by the Guidelines of the Postal Sector of the Republic of Latvia 2005-2009; but in accordance with the recent adoption of Directive 2008/6/EC, full liberalisation of the postal market is now scheduled to occur in 2013. A discussion about the privatisation of Latvia Post (in relation to the upcoming full market opening) has started. However, the company is still on the list of state enterprises that cannot be privatised and trade unions are against privatisation.

Market developments

- Because universal service obligations (including five times per week collection and delivery throughout the entire Latvian territory; with geographically non-differentiated prices) are part of the licence requirements, only Latvia Post has been able to obtain a licence. The requirement to provide universal services (notably the requirement to deliver throughout the entire Latvian territory) is a major barrier for potential entrants. A current new draft Postal Law intends to eliminate this requirement. Nevertheless, also if the obligation to provide all universal services would be removed as a requirement for obtaining a licence for the conveyance of addressed mail, entry barriers will likely remain because of the existence of the reserved area (75% of correspondence weighs less than 50 grams).

- The most dynamic market segment is the market for parcel deliveries. In 2006, four companies entered the courier services market which notably led to a decline of

Latvia Post's market share in parcels from 20% to 14%. These companies are also active in the express market, but here Latvia Post's markets share has remained stable at 25%.

Other issues

- Latvia Post has undertaken considerable effort to improve the working conditions of its employees. Latvia Post arranged a health, live and accident insurance for its employees; the basic salaries of postal employees rose by approximately 25%; and considerable investments were made to improve the safety of employees. Concerning the latter, Latvia Post decided to speed up motorisation (provision of safe transportation means) of postal deliveries and to introduce mobile units for mail deliveries. This was in reaction to several incidents related to attacks on postal employees in rural areas.

- According to information from Latvia Post, until the present date all letter mail and parcel mail are sorted manually. Plans exist to establish vertical sorting frames.

Discussion points

- Entry in the market for competing postal operators has been practically blocked by the license requirement to deliver throughout the entire Latvian territory. This requirement is currently under revision. However, given the VAT exemption for all services of Latvia Post and the inclusion of direct mail in the reserved area, this revision is likely to have limited impact on the development of competition.

- Being a state enterprise without competitors, Latvia Post has little incentive to invest in productivity and/or quality improvements.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO 25%	43
Parcel (main players)	NPO 14%	43
Unaddressed	n.a.	n.a.
Cross-border mail	NPO 100%	
Addressed mail (market share CPOs)*	NPO 100%	
Population density (inhabitants/km^2)	35.3	
Total addressed mail market (items)	68 million items	
Addressed mail volume per capita	30	
Status of NPO	Latvia Post is a state joint stock company (incorporated) that still is on the list of companies that cannot be privatised	In relation to the envisaged liberalisation in 2013, a discussion on privatisation has started. Trade unions strongly opposed to this.
Main divisions of NPO	Postal services, Payment services, Logistics, Courier services	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006.
Note: n.a. is not available.

Summary information on the implementation of the Postal Directive is given below.

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by incumbent Latvia Post.
Reserved area	The reserved area was reduced to 50g at 1 January 2006. Full liberalisation was anticipated for in 2009, but following the recent adoption of Directive 2008/6/EC, this will be postponed to 2013. Direct mail and cross-border mail (in- and outbound) are part of the reserved area.
Licensing and network access	(i) Amongst the licence requirements to provide universal postal services is to fully comply with the USO; (ii) So far no access is provided nor imposed by the NRA (including to PO boxes); (iii) Information on address notifications can be provided by Latvia Post but this service is charged for.
Tariff principles and transparency of accounts	(i) Tariffs for universal services need to be cost-based, transparent, non-discriminatory and uniform; (ii) There is a price-cap system based on costs and allowed to grow based on the consumer price index; (iii) The NRA regulates ex-ante the prices of the universal service.
Quality of services	Quality standards are set concerning transit time and the network of service points and street letterboxes. In 2006 and 2007 the transit time targets were not met for priority mail; in 2007 the targets were met for second class mail.
The national regulatory authority	The Public Utilities Commission (PUC) was established as the independent unitary regulatory authority (regulator), responsible for regulating the sectors of energy, telecommunications, post and railways. It performs the following regulatory functions: • Issuing licences and supervising implementation of the conditions laid down in these licenses; • Establishing the tariff calculation methodology and approving tariffs (and setting new tariffs); • Arranging out-of-court settlements in case of disputes; • Requiring data and undertaking studies; • Promoting competition in the regulated sectors; • Supervising the compliance of services with the requirements for quality, technical regulations and standards.

Country sheet: Lithuania

Summary

Mail market characteristics

The postal market is characterised by:

(i) a low population density, but a high degree of urbanisation;
(ii) relatively low mail volumes per capita;
(iii) direct mail being included in the reserved area;
(iv) a VAT exemption for Lithuania Post on deliveries of all postal services;
(v) little regulatory interference in the postal market.

Regulatory developments

- The reserved area was reduced from 100g to 50g on 1 January 2006 in conformity with Directive 2002/39/EC. Lithuania may postpone full liberalisation until 2013.

Market developments

- Since the opening of the market, the main development is a steady increase in the number of courier service providers. In 2006, 77 providers operated in the postal and courier services market, including: 66 providers of courier services, ten providers of postal and courier services and one provider of postal services only.

- The express market is rather competitive. In the market for postal services, Lithuania Post still holds a dominant position as a result of the existence of the reserved area (including direct mail) and Lithuanian Post's VAT-exemption, which limits the possibilities for competing companies to expand their market share. In terms of revenues, the incumbent operator had about 98% share in the market for postal services in 2006. In terms of addressed mail volumes, Lithuanian Post had a market share of 99% in 2006 (as well as in 2005).

- The increasing competition in the courier services market is manifested by the stable growth of the market share of new providers of courier services. In terms of revenues, the NPO has about 8% market share; DPD has 37% and DHL about 15%.

Other issues

- The advantage of a high degree of urbanisation is partly reduced by the fact that rural inhabitants make more frequent use of postal services.

- Wages of postmen are below the national average wage levels. This has resulted in a shortage of postmen.

- All mail is still sorted manually. There are, however, plans to invest in a new logistics centre and sorting machines.

Discussion points

- Requirements to obtain an authorisation do not obstruct entry. Currently there are eleven operators with an authorisation to provide postal services. However, competing postal operators (CPOs) can hardly expand their market share because items under 50g (falling within the reserved area) constitute 90% of ordinary postal correspondence items. Another handicap for CPOs is that they have to compete against a USP that enjoys a VAT exemption on all its services.

- CPOs also have difficulties to grow because of some structural elements of the Lithuanian mail market. In Lithuania, postal services were typically more frequently used by rural residents (70%) than by urban residents (31%). In addition, the market is characterised by low mail volumes per capita.

- If direct mail were not included in the reserved area, CPOs are more able to expand their market shares. In addition, the volume of addressed advertisements could increase, which could give CPOs more potential to grow.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO: 8%	DPD, DHL, Skubios siuntos (UPS), LEX SYSTEM GmbH, Vilpostus, Bijusta, Greitasis kurjeris
Parcel (main players)	NPO: 53%	DPD, DHL, Skubios siuntos (UPS), LEX SYSTEM GmbH, Vilpostus, Bijusta, Greitasis kurjeris
Unaddressed	NPO 68%	n.a.
Cross-border mail	Inbound: NPO ≈100% Outbound: NPO 68%	Vilpostus, Bijusta, Greitasis kurjeris a.o.
Addressed mail (market share CPOs)*	1%	Vilpostus, Bijusta, Greitasis kurjeris a.o.
Population density (inhabitants/km^2)	52.2	
Total addressed mail market (items)	72 million items	
Addressed mail volume per capita	24.3	
Status of NPO	Lithuanian Post is a public limited liability company	100% state owned
Main divisions of NPO	Mail	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006. N.a. is not available.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by incumbent Lithuanian Post. The Postal Law states that if the government fixes tariff ceilings for universal postal services below the costs of those postal services, the difference shall be covered from the funds earmarked in the State budget.
Reserved area	The reserved area was reduced to 50g at 1 January 2006. Full liberalisation is not expected until 2013. Direct mail and inbound cross-border mail are part of the reserved area.
Licensing and network access	(i) An authorisation is needed for postal services (courier services only require a notification); (ii) Lithuanian Post is not obliged to provide access to third parties at a discount (including PO boxes), but access terms can be negotiated while upholding the principles of transparency and non-discrimination; (iii) information related to the postal code system (including change of address information) is available for competitors and customers against commercial tariffs.
Tariff principles and transparency of accounts	(i) Both access tariffs and the tariffs for the universal service need to be cost-based, transparent, non-discriminatory, and uniform; (ii) the NRA sets a tariff ceiling.
Quality of services	Quality standards are set concerning transit time, the network of service points and street letterboxes and frequency of collection and delivery. In 2006 Lithuanian Post failed to meet some of the transit time requirements.
The national regulatory authority	The Communications Regulatory Authority (RRT) has been established under the provisions of the Law on Telecommunications which implements the EC Directives and prescribes the establishment of independent national regulatory authorities. RRT started its activities in May 2001 after the reorganisation of the state enterprise State Radio Frequency Service. RRT has a strong monitoring and enforcing role, including: • issuing licences (and determine requirements); • setting maximum tariffs (and penalise if ceilings are not adhered to); • monitoring (e.g. on tariffs, quality, access); • requiring data and undertaking studies; • penalising and seeking judicial order.

Country sheet: Luxembourg

Summary

Mail market characteristics

The following market characteristics should be taken into account:

(i) Luxembourg is, compared to the other Member States, a small country with a small number of inhabitants. The country has an average population density; 16% of the population lives in the city of Luxembourg and 30% in the five largest cities;

(ii) the reserved area includes also inbound and outbound cross-border mail and (addressed) direct mail (below 50g);

(iii) traditionally, the NPO EPT has a very high quality performance (97.3% of the domestic mail is delivered within one day);

(iv) cross-border mail covers circa 30% of total volume and 39% of total turnover.

Regulatory development

- The last change of the Postal Act was in 2002. Since then, there have not been any major changes in the regulatory framework. Luxembourg is one of the eleven Member States that has the option to set the date of full liberalisation at 1 January 2013 instead of two years earlier.

Market developments

- EPT still is the dominant postal operator with a market share of 95-100% in the addressed mail market, 80% in the cross-border segment and 75% in the unaddressed mail market. In the parcel and express markets EPT's market share is small, but parcel operator Michel Greco SA (market leader) and TNT-Express Luxembourg SA are also part of EPT. In fact, Dintec is the only main competitor in the addressed mail market. EPT indicates that 10% of the mail market is open for competition when measured by volume and 21% when measured by turnover.

- The effect of the reduction of the reserved area (from 100g to 50g) seems to be very limited, especially regarding domestic addressed mail. In the markets for cross-border mail, parcels and express there is more competition, especially from the major international operators. It seems that the level of competition intensified since 2005. EPT for example, states that the lower threshold has given competitors the opportunity to acquire new volumes, especially in outbound cross-border mail.

- There are some competition issues, such as the VAT exemption of EPT, the access to PO boxes and the possibility to install letterboxes for collecting mail on public grounds.

Other issues

- The overall effect of the partial liberalisation still seems to be limited. Some (small) effects can be observed concerning the employment and working conditions such as the measures taken by EPT to cut (labour) cost by outsourcing some activities.

Discussion point

- In Luxembourg the population density and the number of postal items per capita are very high. The postal market in Luxembourg is therefore potentially attractive to competing postal operators. However, given the size of the country and the number of inhabitants (461,000), the scope for major competition is obviously limited.

- Unsurprisingly, cross-border mail covers a substantial part of the total market (both in volume and turnover). The same is true for parcels and express. In these segments we observe more competition, especially by the major international operators.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive EPT (through TNT Express Luxembourg SA)	DHL, UPS, Fedex, EPT owns 50% of TNT Express Luxembourg SA
Parcel (main players)	Competitive EPT (10%)	Dintec, TNT, DHL, De Post/La Poste, EPT owns 60% of Michel Greco SA
Unaddressed	EPT (75%)	Lux Diffusion
Cross-border mail	EPT (80%)	Dintec, DHL, TNT, UPS, Fedex, De Post/La Poste
Addressed mail (market share CPOs)*	Up-stream (consolidation): 5% Individual item mail: 0%	Main competitor Dintec estimates their share at 1.5% (consolidation)
Population density (inhabitants/km^2)	178	
Total addressed mail market (items)	108.9 million items	
Addressed mail volume per capita	236	
Status of NPO	EPT is an incorporated state enterprise	
Main divisions of NPO	Mail, parcels, express	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2007.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	EPT is the universal service provider. The universal service comprises the collection, sorting, transport and delivery of letters, direct mail, books, catalogues, newspapers, periodicals up to 2kg and parcels up to 10kg. Insured and registered items are part of the universal service. EPT is obliged to collect and deliver five times a week. The stakeholders did not report any problems concerning the USO.
Reserved area	The reserved area was reduced from 100g to 50g as from 1 January 2006. Books, catalogues, newspapers and periodicals shall not be seen as 'items of correspondence', and are therefore not part of the reserved area, while cross-border mail and (addressed) direct mail are part of the reserved area. The markets for unaddressed mail, parcels and express are open to competition.
Licensing and network access	The Postal Act 2000 states that any postal service other than the reserved postal services (by EPT) is subjected to 'declaration' (or registration). There are no specific requirements regarding this declaration. The Postal Act 2000 does not mention mandatory access to the network of the universal service provider.
Tariff principles and transparency of accounts	The postal services within the reserved area are part of a price regulation regime. The Postal Act 2000 determines that these prices must comply with some principles. Cross-subsidy from the reserved area to other (liberalised) areas is prohibited, unless this is absolutely essential to accomplish specific obligations of the universal service. EPT is obliged to account the services within the reserved area separately and the accounts for non-reserved services should make a clear distinction between services within and outside the universal service.
Quality of services	The quality requirements regarding the universal service are laid down in the Grand-Ducal Regulation of 2001. EPT met these requirements in 2006 and reached a quality level of 97.3% regarding next day delivery and close to 100% for delivery within two days.
The national regulatory authority	The 'Institut Luxembourgeois de Régulation' (or ILR) is the NRA. ILR is (amongst others) responsible for postal sector regulations and monitoring of the postal sector. ILR supervises the provision of the universal service, is responsible for market surveillance and assures the protection of postal users. At the end of 2006, 36 people worked for LR, three of whom were involved in regulating postal affairs.

Country sheet: Malta

Summary

Mail market characteristics

(i) Malta consists of a couple of small islands that are densely populated;

(ii) A relatively large part of the addressed mail market is still reserved to MaltaPost;

(iii) There was 3.5% growth in domestic letter-post traffic in 2006/2007 (October-September) and a decrease of 4.7% for international letter post when compared to the previous year. In parcels, an increase of 12.3% was registered.

Regulatory developments

- The national regulatory authority is the Maltese Communications Authority (MCA). The focus of regulation for the postal service in the partly liberalised market is the maintenance of the USO and in ensuring that MaltaPost's prices are geared to cost.

- Regulation within Malta is basically in line with the requirements of the postal directives and does not to go much beyond those requirements. Direct mail and both inbound and outbound cross border mail below 50g continue to form part of the reserved area. Malta has the option to postpone the implementation of Directive 2008/6/EC until 31 December 2012 in order to continue to reserve services to the universal service provider. Malta has until 27 August 2008 to confirm its intention to make use of the implementation delay.

Market developments

- In total, it is estimated that the mail market is worth in the region of 14 million euro, with addressed letter mail accounting for 86%. Express mail appears to be the more dynamic market segment.

- In March 2007 Premiere Post Ltd was issued with a licence to operate services within the scope of the universal service, thus providing services in competition with MaltaPost. Premiere Post Ltd is authorised to provide postal services which are not reserved but fall within the scope of the universal service as defined in the Postal Services Act. Premiere Post Ltd currently delivers the majority of the traffic summons issued by the local wardens via a registered type of postal service. Prior to the entry of Premiere Post Ltd into the postal market MaltaPost was the sole entity delivering this type of mail via its registered mail service.

- The incumbent MaltaPost still has a near monopoly position, both in the domestic addressed mail market and in the cross-border mail market segment. Following full

market opening and removal of the reserved area the NRA expects to see a number of new postal operators interested in providing bulk mail services.
- The NRA does not have statistics on mail substitution but does say that there are clear indications of substitution due to e-mail, e-government and e-commerce services. There is also a trend for addressed advertising mail to move to unaddressed mail service providers.

Other issues
- MaltaPost plc and Transend Worldwide Limited a subsidiary of New Zealand Post signed a two year management services contract in 2002 for the management and operations of Maltapost. This was extended by another year. In a separate agreement at that time, Transend took a 35% equity stake in Maltapost, while Malta Government Investments held the remaining 65%.

- The NPO was fully privatised in January 2008. The present Maltese Government had adopted the policy of privatising most of its enterprises, and MaltaPost was one of them. In August 2006 Lombard Bank Malta plc through its subsidiary Redbox Ltd acquired the 35% shareholding from Transend Worldwide Ltd of New Zealand and a further 25% shareholding was purchased from the Government of Malta in September 2007. In January 2008, the government embarked on the full privatisation process by selling the remaining 40% of the shares held by the government to the general public and floating all MaltaPost shares on the Malta Stock Exchange. It is expected that the involvement of Redbox Ltd will bring about developments in the services provided by the various branches.

- The NRA conducted a small business and household customer survey in 2006.For small businesses, nearly 73% were satisfied or very satisfied with the time the post is delivered, 57% with the time it takes the NPO to deliver mail, 60% with the range of services, and 37% with the price. For households, 86% were satisfied or very satisfied with the time the post is delivered, 66% with the time it takes the NPO to deliver mail, 82% with the range of services, and 45% with the price.

Discussion points
- ECORYS observes that Malta is about to implement an access regime similar to that in the United Kingdom. In the current system, however, no requests have been made so far, presumably because of the fact that a relatively large part of the addressed mail market is still reserved to MaltaPost.

- MaltaPost is one of the few national postal operators that have been privatised. In this, Malta is joined by countries with developed competitive postal markets, i.e. Germany and the Netherlands.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	13 registered operators
Parcel (main players)	NPO 100%	As defined within the current Directive for a USO parcel no competitors if not handled by express / courier operators
Unaddressed	Competitive	Mail Box Ltd, 3D, Phone Direct and some other small operators
Cross border mail	NPO 100%	Inbound and outbound is reserved below 50g. See express for international couriers
Addressed mail (market share CPOs)*	Ca. 1%	Premiere Post
Population density (inhabitants/km^2)	1,282	
Total addressed mail market (items)	0.06 billion items	
Addressed mail volume per capita	148	
Status of NPO	Privatised; since January 2008, 100% of the shares are listed on the stock exchange and privately owned; 35% of shares where privately owned since 2002	The 100% privately owned. Lombard Bank, through its subsidiary Redbox Ltd, owns 60% whilst the other 40% are held by the general public
Main divisions of NPO	Mail, parcels, express, counter and financial services	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2007.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO is in line with requirements as defined within the current Directive. In April 2008 the NRA published a consultation paper on the universal service obligations of MaltaPost as the universal service provider and the rights of the consumer with respect to access to services, the guarantee of daily delivery and the publication of information of what is on offer. At present the NRA does not calculate the cost of the USO although MaltaPost does produce regulatory accounts that contain the accounting cost.
Reserved area	Malta implemented the 50g limit in 2006 and includes direct mail, B2B mail, and both inbound and outbound cross border mail. Any further liberalisation ahead of Directive 2008/6/EC requirements is unlikely. Malta is included in the list of Member States that may postpone full-market opening to 1 January 2013.
Licensing and network access	The NRA is responsible for issuing Individual Licences and General Authorisations. Postal operators shall have a right and, when requested by other postal operators, an obligation to negotiate access with each other for the purpose of providing postal services.
Tariff principles and transparency of accounts	MaltaPost is required to provide the NRA cost data at the level of product/ activity/ weight step in support of pricing applications (ex-ante).

Aspect	Implementation and remarks
	It is understood that the NRA plans to commence a project in 2008 with the aim of introducing an RPI minus x regime in the future. The regulatory accounts are not publicly available (published).
Quality of services	The NRA has the specific responsibility for setting standards for the QoS to be achieved by MaltaPost within the framework set out in European and national legislation. The actual standards go beyond those required.
The national regulatory authority	The NRA is the Maltese Communications Authority (MCA). Main powers are data collection, setting QoS targets and checking performance, price control of the services covered by the USO, ensuring regulatory accounts are produced in accordance with the Postal Services Act and Postal Services Regulations (which are consistent with the requirements of the current Directive). At the MCA, approximately three full-time employees deal with the postal sector. The activities are financed by the Government mainly from the collection of postal fees.

Country sheet: the Netherlands

Summary

Market characteristics

The Dutch postal market is characterised by:

(i) The Netherlands being a relatively densely populated country;
(ii) Relatively high mail per capita volumes;
(iii) Printed matter ('drukwerk') not being included in the reserved area;
(iv) Reduction of the scope of the universal service in 2000, resulting in VAT exemption for TNT only for the reserved area (single item mail and bulk mail) and the non-reserved part of the universal service (only single item mail), leading to a level playing field for a large part of the total postal market in this respect; and
(v) Little regulatory interference in the postal market.

Regulatory developments

- The reserved area was reduced from 100g to 50g on 1 January 2006, conforming to Postal Directive 2002/39/EC. A new postal law is currently being discussed in the Dutch parliament. One key element of the (proposed) Postal Act 2008 is full liberalisation of the postal market. The original date for full liberalisation was 1 April 2007, but this was postponed until 1 January 2008, then 1 July 2008 and recently (May 2008) even longer (undetermined period). The main reasons presented were uncertainties regarding (i) the level playing field for postal operators in the Netherlands, Germany and the UK, and (ii) labour conditions for (non-TNT Post) deliverers in the Netherlands.

Market developments

- The relatively open Dutch market, combined with the other characteristics mentioned above, enabled CPOs to enter the market. In particular, levelling of the VAT regime in 2000 for the printed matter and periodicals segments and the prospect of a fully liberalised market in the medium term seem to have triggered the entry of competitors with the ambition of developing nationwide delivery networks. After 2000, competition intensified with the entry and development of Sandd and Selekt Mail, who became serious competitors for TNT. Since 2001 their joint volume has grown to 700 million addressed mail items, which comprises a 13% market share of the total addressed mail market (and a 25% market share of the liberalised part of the addressed mail market). Sandd and Selekt Mail found a very successful niche: the market for low cost, low speed mail.

- Related to the fact that TNT was not offering attractive access conditions to its network, Sandd and Selekt Mail developed their own nationwide delivery networks.

The possibility of using part-time deliverers on freelance contracts (payment per item), low speed delivery and new sorting techniques enabled them to deliver against relatively low costs and to compete with TNT not only on price but also with new products. It is expected that the relevance of this service will grow over the coming years, and that product differentiation will increase further. TNT recently introduced similar low cost, low speed services (TNT Economy and Netwerk VSP Addressed with Budgetmail) in order to recover lost market share. The effect of this is to put strong pressure on the tariffs for these low speed services among the several competitors.

Other issues

- Since 2004, the level playing field for postal operators (and in particular TNT) in the Netherlands, Germany and the UK has been an important issue in the discussions about full market opening. This discussion intensified in the second half of 2007. The Ministry of Economic Affairs observed that VAT exemptions in the UK and Germany still existed and a minimum wage law was adopted in Germany, potentially worsening the competitive position of TNT Post and other competitors of DPAG in Germany. A new issue also arose: the (legal) position of mail deliverers, mainly relating to the use of freelance contracts. According to the unions, wages were too low and legal protection (e.g. no payment in case of illness) too weak. These concerns were (partly) picked up by some members of parliament. Although Sandd and Selekt Mail made an agreement with the trade unions in April 2008, the junior Minister of Economic Affairs judged the agreement as unsatisfactory.

- Hence both issues are pending, and consequently the adoption of the Postal Act 2008 is pending as well. Sandd and Selekt Mail claim that their investments are worthless because of government policy (full liberalisation postponed for the second time within a year) and regulatory uncertainty. They are considering taking juridical steps against the government's postponement decision. Deutsche Post World Net and Selekt Mail filed a joint complaint with the European Commission in June 2008. They stated that a Member State may reserve the national postal market exclusively for one provider only if this approach plays an essential role in financing the universal service. According to them the renewed delay only serves the interests of TNT and is therefore a clear violation of European legislation.

Discussion points

- Although the Netherlands was one of the frontrunners in the liberalisation process in Europe, this position has changed. While for example the UK and Germany have abolished their reserved area, the Dutch government has postponed full liberalisation several times. ECORYS observes that since 2004 the debate intensified and became a mix of several discussions, related to the level playing field in the UK and Germany and the labour conditions, both for traditional TNT Post mail men and CPO-deliverers (using freelance contracts). Currently, the discussion seems to be intermingled by political arguments that are not directly related to postal market characteristics.

- Compared to other Member States, the alternative operators in the Netherlands gained a substantial market share (14%) in the addressed mail segment. This is caused by a combination of causes. Beside the geographical characteristics (high population density and high degree of urbanisation), the levelling of the VAT regime in 2000 for the printed matter and periodicals segment has enabled the competitors to increase their volume and develop their nationwide delivery network. Further, Sandd and Selekt Mail (and now also Netwerk VSP) made use of the possibility to use freelance contracts.

- Due to their limited powers, the involvement of OPTA (the regulator) is rather limited. Several times OPTA has indicated that its powers are too limited to intervene properly, for example concerning tariffs, access and (financial) transparency of the universal service. OPTA has stated that the proposed Postal Act 2008 will not resolve this problem.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors/remarks
Express	Competitive	
Parcel (main players)	NPO 40% (incl. express)	DHL, Fedex, DPD (Dynamic Parcel Distribution), others
Unaddressed	NPO (12%) + Netwerk VSP (36%)	Interlanden (DHL), Alfa,
Cross-border mail	NPO	DHL, Fedex, DPD, Swiss Post
Addressed mail (market share CPOs)*	14%	Sandd, Selekt Mail/DHL (Deutsche Post World Net (DPWN))
Population density (inhabitants/km^2)	394	
Total addressed mail market (items)	5.4 billion items	Estimates differ from 5.4 billion (OPTA) to 5.6 billion
Addressed mail volume per capita	340	TNT Post (287) and Sandd and Selekt Mail (circa 40-50)
Status of NPO	TNT was privatised in January 1989	The Dutch government sold its remaining stake of 10.9% in 2006, including its 'golden share'
Main divisions of NPO	Mail, express	TNT sold its logistics division in 2006

Note: *The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2007.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by the incumbent, TNT Post. The Postal Act 2008 (article 30) arranges for the financing of the USO after liberalisation. The USP must inform OPTA when it expects a net cost for the next calendar year. Within six months after the end of a particular calendar year, the USP can ask OPTA for compensation. OPTA will assess the exact net costs . The net cost will be spread between all postal operators and will be based on their annual turnover.
Reserved area	Reduced to 50g on 1 January 2006. Full liberalisation is still uncertain. Printed matter and outbound cross-border mail are not part of the reserved area.
Licensing and network access	(i) No licence is needed, but operators need to register. (ii) TNT is not obliged to provide access to third parties at a discount, but this can be negotiated. (iii) TNT is obliged to grant competitors access to PO boxes on reasonable, objectively justified and non-discriminatory conditions and tariffs. (iv) Information related to the postal code system (including change of address information) is available for competitors and customers, against commercial tariffs.
Tariff principles and transparency of accounts	(i) Access tariffs and tariffs for the universal service both need to be cost-based, transparent, non-discriminatory, uniform and accessible. (ii) In the new Postal Act 2008, OPTA is made responsible for initially setting the tariffs for universal services. There is a price cap system as before, but based on the consumer price index.
Quality of service	Quality standards are set concerning delivery time and the network of service points and street post boxes. In 2004 and 2005, TNT met these requirements.
National regulatory authority (NRA)	Established in August 1997, OPTA is the national regulatory authority. Under the Postal Act 1989 its role was (*de jure*) rather limited and mainly focused on (control of) the universal service. Under the new Act, OPTA's monitoring role increases somewhat and it will have the opportunity to gain more information from all operators (however, still unsatisfactory in its opinion). De facto, OPTA's role has been rather limited, also because of capacity. In 2007, 2.7 full-time equivalents (FTEs) were dealing with the postal market, but this will probably increase under the new Act.

Country sheet: Norway

Summary

Mail market characteristics

The main characteristics of the Norwegian postal market can be summed up as:

(i) A large country with a small population, but a relatively high addressed mail volume per capita;

(ii) The main source of competition in the domestic market are parcel and logistics provider Tollpost and newspaper publishers;

(iii) There is no VAT exemption for Norway Post;

(iv) Little regulatory interference in the postal market.

Regulatory developments

- The reserved area in Norway consists of addressed mail up to 50 gram in a closed envelop and includes both domestic mail and inbound cross-border mail. Addressed direct mail under 50 grams falls under the reserved area; unaddressed mail is open to competition.

- Liberalisation was planned to take place in 2007, but in 2006 the new left-wing government decided not to liberalise the Norwegian postal market as the government was not convinced that universal services at present level could be maintained with a full liberalisation of the postal market as – in 2006 – was envisaged for in 2009. According to the NRA, the Norwegian postal market will be liberalised per 31 December 2010.

Market developments

- In the market for domestic addressed letter mail, there is no competitor to Norway Post of any significance.

- In 2006, Norway Post had a market share of 62% in the number of domestic registered items. Tollpost was the next biggest operator for registered domestic items with a market share of 25%. Registered items mainly comprise parcels.

- Some competition exists in the market for distribution of magazines and catalogues, with newspaper distribution companies having a market share of around 10%, based on volumes.

- The market for distribution of subscription newspapers is highly competitive, with Norway Post having a market share of slightly over 20% in 2006. The newspaper publishers and their distribution companies account for the remaining 80%.

- The market for unaddressed mail mostly comprises of unaddressed advertising mail placed in letterboxes, and folders inserted in newspapers and magazines. In this mail segment Norway Post had a market share of between 55% and 60% in 2006. The newspaper publishers and their distribution companies account for most of the rest of the market.

Other issues

- Norway Post is pursuing an active regional strategy, aiming at becoming a main player in the Nordic region. In Sweden, they compete with Posten AB through CityMail and have bought Optimail AB to strengthen their position in the Swedish market. OptiMail AB was initially a business area within CityMail Group for international mail, while later CityMail Group transformed into OptiMail AB. In Denmark, CityMail DK was established in 2006 and operations started in 2007.

Discussion points

- The Norwegian experience of state-purchasing of non-profitable services supports ECORYS' general conclusion that alternative means of funding non-profitable elements of the USO appear attractive. This includes public procurement, as stated in in Directive 2008/6/EC.

- The method developed by Norway Post (as well as methods introduced by Copenhagen Economics in Denmark) to calculate the cost of the USO forms a useful basis for discussing the cost calculation of the universal service. This is desirable if USO cost calculation is to be more uniform across EU countries.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	Norway Post is – via Box (subsidiary) - the leading supplier in express logistics, courier services and warehousing solutions.
Parcel (main players)	NPO: 62%	Tollpost (25%)
Unaddressed	NPO: 55-60%	
Cross-border mail	NPO: Letters: 100% Parcel out: 25% Parcel in: 68%	DHL, UPS, Tollpost
Addressed mail (market share CPOs)*	NPO: 100%	
Population density (inhabitants/km^2)	12.12	
Total addressed mail market (items)	1349	
Addressed mail volume per capita	289	
Status of NPO	Norway Post is a corporation (Norwegian government is 100% shareholder)	
Main divisions of NPO	Post, Logistics, ICT	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by incumbent Norway Post. As compensation for the universal service obligation by Norway Post, a system of state purchasing of non-profitable services has been introduced.
Reserved area	The reserved area in Norway consists of addressed mail up to 50 gram in closed envelops, both domestic mail and inbound cross-border mail.
Licensing and network access	A licence is required to provide regular postal services within the reserved area. In addition, postal operators other than the universal service provider need dispensation to provide services in the reserved area. A dispensation is only given if the services offered do not have an impact on the margin of the universal service provider. In practice, the activities within the reserved area are marginal. There is no regulated downstream access to the network of Norway Post. Also, access to PO boxes and access to the address database is not regulated.
Tariff principles and transparency of accounts	Services within the reserved area are regulated on the basis of ex ante price regulation. For universal services outside the reserved area the cost based obligation is followed up through a price cap on single piece items. The principles for regulation are in line with the Directive.
Quality of services	Regulated routing (transit) times are applicable to addressed letter mail, newspapers and non-bulk parcels under the universal service. The routing times for domestic mail are D+1 for priority mail and D+4 for economy mail. For both, 85% of the mail needs to be delivered within the set routing time. For cross-border priority mail, 85% needs to be delivered within 3 days (J+3). The quality of service is monitored by the NRA and is consistent with CEN standards. Transit times are met by Norway Post.
The national regulatory authority	The NRA of Norway is the Norwegian Post and Telecommunication Authority (NPT). The powers of NPT are mainly limited to data collection and levying fines. In 2005, the total staff of PT dealing with postal supervision was five FTE.

Country sheet: Poland

Summary

Market characteristics

The Polish market is characterised by:

(i) The fact that Poland is a large country with an average population density;
(ii) A growing volume of the market, especially in the unaddressed segment;
(iii) The reserved area encloses items of correspondence but also direct mail;
(iv) Comparatively low quality performance of Polish Post.

Regulatory developments

- The main legal act governing postal activity in Poland is the act of 12 June 2003 (Postal Act 2003), which implements Directive 97/67/EC as amended by Directive 2002/39/EC.

- The Postal Act was amended several times. The most significant changes were introduced by the amendment to the Postal Law of 18 March 2004 and the provisions on the freedom of economic activity as well as by the Telecommunications Law. Changes were, for example, made to the reserved area (reducing the weight limit to 50g and the price limit according to the provisions in Directive 2002/39/EC) and the process for handling complaints.

Market developments

- The Polish market shows a strong development in volume growth, especially in the unaddressed mail market. Since 2003 the total number of items grew by 94% (mainly unaddressed mail) and total turnover increased by about 8%. It is interesting to note that the total number of alternative operators increased very sharply (more than tenfold). However, the large majority of these operators are active in the local market and the main operators are mainly active in the segments for unaddressed mail, cross-border mail, parcel mail and express.

- In the addressed mail market (including addressed direct mail) the market share of Polish Post is above 99%. The main barrier to competition is the reserved area; the reduction of the weight limit in 2006 (from 100g to 50g) seems to have had hardly any effect on the level of competition in the addressed mail market. There are no indications that this will change fundamentally before full market opening in 2013.

- In the other markets Polish Post faces more competition. In the unaddressed mail segment, several parties such as I.D. Marketing, Integer, Dystrybucja Polska and Pro Direct distributed 1.5 billion items in 2007 and have gained a market share of 72%.

Large international operators like TNT, DHL and UPS are active in parcels, express and cross-border mail and compete with Polish Post (e.g. the market share of Polish Post in parcel mail is 53% in volume and 61% in turnover).

- Access to the letterboxes by competitor postal operators seems to be a major problem, but the regulation concerning the installation of new letterboxes may provide a solution. Further, the VAT exemption of Polish Post is a (major) barrier to start addressed mail delivery.

Other issues

- In terms of employment the alternative operators have grown rapidly. In 2003 they employed 4,700 people and in 2007 nearly 21,250, while the number of Polish Post employees was more stable in this period (about 100,000).

- Polish Post warns that the universal service is currently not sufficiently protected by existing fiscal subsidies. In a 2007 press release Polish Post warned that in the future the abolition of the reserved area may negatively influence the quality of service as towards regular collection and delivery (less letterboxes, less clearing and delivery days) and the opening hours of the post offices (shortening of opening hours).

Discussion points

- Although the actual effect is not clear yet, Poland seems to have solved the problems related to the access of letter boxes by forcing the owners of estates and houses to install new letter boxes (before August 2008). In the past this was seen as one of the main barriers for entry of competition.

- Another interesting development in Poland is the strong increase in the number of alternative operators. Although, these (local) operators mainly focus on unaddressed mail, cross-border mail, parcel mail and express mail, this indicates that entrepreneurs are active on the market and make use of the opportunities they have. Despite this fact, competition in the addressed mail segment is still lagging.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	UPS, DPD, GLS Poland, DHL, TNT and Spring
Parcel (main players)	NPO (46%)	UPS, DPD, GLS Poland, DHL, TNT and Spring
Unaddressed	NPO (28%)	I.D. Marketing, Integer, Dystrybucja Polska and Pro Direct
Cross-border mail	NPO (95%)	UPS, DPD, GLS Poland and TNT Express
Addressed mail (market share CPOs)*	< 1%	Only some local initiatives
Population density (inhabitants/km^2)	118	
Total addressed mail market (items)	1.8 billion items	
Addressed mail volume per capita	43.9 (2006)	
Status of NPO	Since 1997, Polish Post has the status of a state-owned public utility	The (legal) preparations conversion of Polish Post into a joint stock company (with 100% state ownership) started in March 2007
Main divisions of NPO	Mail, parcel & express, financial services	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2007, unless stated otherwise.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The universal service is in line with the Directives. The universal service should be provided for domestic and international traffic on the territory of the Republic of Poland, in a consistent way on comparable conditions and at affordable prices, maintaining the quality required by law and ensuring emptying the mail boxes and delivery of the postal items at least on every working day and not less than five days a week. The universal service provider can obtain a subsidy if there appears a loss on the universal service.
Reserved area	The reserved area covers: (i) domestic mail: the clearance, transport and delivery of items with correspondence and direct mail up to 50g; (ii) international mail: the clearance, transport and delivery of items up to 50g; and (iii) domestic and international mail: postal money orders. Items of correspondence are defined as ‘information recorded on any available material carrier, (…) with the address inserted by the sender, with the exclusion of books, catalogues and press magazines.’
Licensing and network access	Postal activity with respect to the clearance, transport and delivery of postal items within the universal postal service as well as items for blind persons, requires a license. For services outside the universal service postal operators do not need a license, but have to be registered on the basis of a written application. This register

Aspect	Implementation and remarks
	is also governed by the NRA. No specific provisions are made in the law concerning regulated or negotiated upstream or downstream access. Provisions for transparent and non-discriminatory access are not mentioned in the regulatory framework. In practice there is no demand for either (yet).
Tariff principles and transparency of accounts	Ex-ante price regulation of the reserved and USO services has been introduced since 2008 (article 51 Postal Act 2003). There is no price-cap regulation, but the prices of universal services should be cost based (article 50 Postal Act 2003). Polish Post is required to keep an accounting system separately for each service from the reserved area as well as altogether for non-reserved services (while making a distinction between universal postal services and services outside the universal service).
Quality of services	A study on transit times between November 2006 and December 2006 showed that only the requirements for transactional mail for D+3 was met. Polish Post also did not meet the requirements for direct mail. The (under)performance was influenced by strikes of mail dispatchers and postmen in November and December 2006.
The national regulatory authority	Since January 2006, the Office of Electronic Communication (UKE) is the responsible NRA. Before 2006, the regulatory function was governed by URTiP (Office of the President of Telecommunications and Post Regulation). At the end of 2006 a total of 28 staff-members were responsible for postal market regulation, 12 people in the head office and 16 people in the regional offices.

Country sheet: Portugal

Summary

Mail market characteristics

The Portuguese postal market (in comparison to other European countries) is characterised by:

(i) Average population density;

(ii) Average mail per capita volumes;

(iii) Direct mail as well as inbound and outbound cross border mail are included in the reserved area;

(iv) A VAT exemption for CTT on all postal services;[7]

(v) Price ceilings and quality standards are determined on the basis of a negotiation between the NRA and the NPO in so-called Conventions.

CTT provides a wide spectrum of services throughout Portugal, while private operators mainly provide services in urban areas. Other providers (outside the CTT Group) with a licence to distribute correspondence mail mainly focus on delivery of non-reserved items of correspondence, but their market share is small.

Regulatory developments

- The reserved area was reduced from 100g to 50g at 1 January 2006, in line with Directive 2002/39/EC. The Portuguese government has not explicitly formulated a time path towards full liberalisation. In any case, the process of liberalisation will be complete by 2011.

- Recent changes concerning the requirements for obtaining authorisation have facilitated entry in the area of non-universal services. This related notably to a differentiation on the basis of turnover for the amount of fees to be paid. For licences (for universal services) the fees to be paid (10,000 Euros) is still irrespective of the level of turnover.

Market developments

- About 23% of the market for addressed mail is opened under national law. The market for unaddressed mail, parcel mail and express are fully opened. The effects of market opening are limited until now. In practice, the CTT Group controls the market for letter mail almost entirely, but the entry of POST 21 and Lordtrans in the market for correspondence mail can be considered as a start to increasing competition.

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7 Full name of the USP is *CTT Correios de Portugal, S.A.* – CTT stans for *Correios, Telégrafos e Telefones* - Posts, Telegraphs and Telephones.

- CTT can maintain its dominant position because of:
  - the existence (and scope) of a reserved area;
  - the VAT exemption for all postal services provided by them; and
  - the licensing system for small operators due to the obligation to pay fees irrespectively of their turnover.

- Although there are more service providers with a licence to deliver parcels (five in total), the last bullet points imply that the CTT Group has an opportunity to maintain a strong position in the market for parcel deliveries. In the market for express deliveries, the number of service providers is much larger (55) and the CTT Group (i.e. CTTexpresso) has a market share of about 25%.

Other issues

- CTT is one of the largest employers in the country; the majority of staff is employed as postmen. The wage level is about 1.5 times the average Portuguese wage level.

- CTT is anticipating a trend towards replacement of physical mail by electronic communication. This trend is also reflected in the digitalisation of CTT's own information and advertising channels. In addition, new services were born such as: an electronic date-stamp service, a virtual shop and (digital) documentation services.

- Considerable investments were done by the NPO to increase productivity by increasing the volume of automatic processing. Currently, about 60% of correspondence mail is being automatically processed.

Discussion points

- Competition has not been based on equal terms because the VAT exemption for the USP is applicable to all its postal services. Furthermore, the existence (and scope) of the reserved area prevents entrants from gaining enough market share. Consequently, the effects of market opening are limited until now. But the recent entry of POST 21 and Lordtrans in the market for correspondence mail can be considered a start in anticipation of full liberalisation.

- The thread of future competition (after 2011) provides incentives for the incumbent to invest in measure to increase productivity and to fulfil customer's needs by creating new services (electronic date-stamp, virtual shop, address management, etc.). Because the Portuguese government has not explicated the time path towards full liberalisation, the incentives to speed up the innovative process may be larger (both for the USP as well as for competitors).

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO 50%	55
Parcel (main players)	NPO 25%	5
Unaddressed	n.a.	n.a.
Cross border mail	NPO 98%	Guesstimate
Addressed mail (market share CPOs)*	CPO 2%	Guesstimate
Population density (inhabitants/km^2)	115	
Total addressed mail market (items)	1.2 billion items	
Addressed mail volume per capita	124	
Status of NPO	CTT is a limited liability company	The state is the only share holder
Main divisions of NPO	Postal services, Express services	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006.

Note: n.a. is not available.

Summary information on the implementation of the Postal Directive is given below.

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by incumbent CTT.
Reserved area	The reserved area was reduced to 50g at 1 January 2006. Future regulatory developments will be according to the new Postal Directive (Directive 2008/6/EC). . Direct mail and cross-border mail (in- and outbound) are part of the reserved area.
Licensing and network access	(i) Irrespective of the turnover level, a fee of 10,000 Euro must be paid for a licence (for the rest, obtaining a licence is relatively easy); (ii) network access can be provided to all levels in line with the principles of cost-orientation, non-discrimination transparency and uniform application (if no access has been granted).
Tariff principles and transparency of accounts	(i) Tariffs for reserved services need to be cost-based, transparent, non-discriminatory and uniform; (ii) there is a price-cap system based on costs; (iii) in the 2006 price convention it was determined that the weighted average of prices for reserved services was allowed to increase based on the consumer price index minus 0.3%.
Quality of services	(i) The indicators of the quality of service apply to the conveyance time for priority and non-priority mail, for newspapers and periodical publications, for postal packages and for cross border mail; (ii) there are also quality standards for services provided at post offices, front desks, posts and other postal establishments, measured by the waiting time in queue; (iii) in 2007 the targets were met.

Aspect	Implementation and remarks
The national regulatory authority	ICP - Autoridade Nacional de Comunicações (ICP-ANACOM) is a corporate entity which is the regulatory body for communication services. It performs the following regulatory functions: • Issuing licences and supervising implementation of the conditions laid down in these licenses; • Establishing the tariff calculation methodology and approve tariffs; • Arranging out-of-court settlements in case of disputes; • Requiring data and undertaking studies; • Monitoring the quality and prices of postal services included in universal service; • Overseeing compliance by postal service operators with the legal and regulatory provisions associated to the activity and the application of respective sanctions.

Country sheet: Romania

Summary

Mail market characteristics

The Romanian postal market is characterised by:

(i) A mixed geographical terrain, ranging from flatlands to mountainous terrain with a population density below the European average and a low degree of urbanisation;

(ii) Low mail volumes per capita; and

(iii) Low regulatory interference.

Regulatory developments

- The reserved area in the Romanian postal market was reduced from 100g to 50g on 1 January 2006. Incoming and outgoing cross-border mail and direct mail are reserved.

- A licence is required for the provision of services within the universal service. Only one licence is granted, to the NPO Posta Romana. A general authorisation is necessary for the provision of postal services outside the universal service.

Market developments

- The market of postal services has shown a big, double-digit growth in the past years, with overall mail volumes (including parcel and express, excluding unaddressed) increasing with 17% from 2004 to 2005 and 18% from 2005 to 2006.

- The simplified authorisation regime stimulated the development of the Romanian market of postal services, in particular courier services. The number of authorised postal services providers increased from five in 1999 to 238 in 2006.

- Competition in the addressed mail market is very limited, with Posta Romana handling 96.9% of the mail volume.

- Competition is high in the parcel market, where Posta Romana has a market share (in volume) of 12.5%. The next five providers have a combined market share of 42.3%, whereas the other 86 providers process the remaining 45.2% of the volume.

- Also within the express market there is a significant degree of competition. In this segment, Posta Romana has a market share (in volume) of 50.6%. The five largest competitors of Posta Romana have a combined market share of 36.9%. The other 36 active providers account for the remaining 12.5% of the express traffic.

- Various international operators are strengthening their position in Romania through take-overs. Examples are the planned take-over of CURIERO by RTC Holding BV, the recent acquisition of Pegasus by GeoPost (a subsidiary of the La Poste), the UPS take-over of its authorised provider in Romania (Trans Courier Services) and the planned acquisition of the second largest Romanian courier service provider, Cargus, by Deutsche Post (DHL).

Discussion points

- Experiences in Romania support the observation that in countries were competition is still in the earliest phase of development the NPO has a major competitive advantage in that it is able to provide a level of service quality that competitors are unable to meet (yet).

- ECORYS observes that in recent years the number of authorised providers has increased substantially, indicating low barriers to obtain a license, but that a lot of these licenses remain unused. It is likely that this development is caused by Romania's low degree of urbanisation, low mail volumes as well as the existence of the reserved area.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO: 50.6%	Many competitors
Parcel (main players)	NPO: 12.5%	Many competitors
Unaddressed	n.a.	
Cross-border mail	NPO: 98.7%	Addressed mail only; including parcel and express - NPO: 85%
Addressed mail (market share CPOs)*	NPO: 96.9%	
Population density (inhabitants/km^2)	90.32	
Total addressed mail market (items)	526m	Including inbound and excluding outbound cross-border mail**
Addressed mail volume per capita	24.4	
Status of NPO	Posta Romana is a joint stock company and 100% government owned	Privatisation is being prepared
Main divisions of NPO	**Central administration** (including ten regional postal directorates); **Five specialized branches**: Expedition house, Rapid post (courier) directorate, Financial services directorate, National stamp museum, Stamps factory	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. ** Based on the assumption that 50% of cross-border mail is inbound. All figures refer to 2006. N.a. is not available.

Summary information on the implementation of the Postal Directives:

Aspect	Implementation and remarks
Universal service and its financing	The universal service consists of letter mail items up to 2 kilograms and domestic and international parcels up to 20 kilograms.
Reserved area	The reserved area consists of domestic and both incoming and outgoing cross-border mail items up to 50 grams or 2.5 times the 'stamp rate' and includes direct mail.
Licensing and network access	A licence is required for provision of services in the universal service area, an authorisation is required for the provision of postal services outside the universal service area. There are no significant barriers to entry connected to the licensing conditions. There is no mandatory access to the network of postal operators.
Tariff principles and transparency of accounts	Tariffs for universal services have to be submitted for approval to the NRA. These tariffs must be affordable, transparent, non-discriminatory and cost-oriented. To check compliance with the cost-orientation obligation within the USO, Posta Romana obliged to have a separate accounting system, based on the internal cost accounting system and meant to separate the activities within the scope of universal service from the activities outside the scope of universal service, as well as the reserved from the non-reserved activities.
Quality of services	The standards for transit times are 85% for D+1 and 97% for D+2 for domestic mail. For international mail, the standards are 85% J+3 and 97% J+5. Monitoring is conducted by an independent monitor and in compliance with CEN standards.
The national regulatory authority	The NRA of Romania is ANRCTI. ANRCTI has nearly full regulatory powers. There is no information on the number of FTE working at the postal unit of ANRCTI.

Country sheet: Slovakia

Summary

Mail market characteristics

The following market characteristics are relevant to the Slovak postal market:

(i) The country is not densely populated (110 inhabitants/km^2);

(ii) The reserved area encloses all items of correspondence up to 50g including direct mail, but excluding books, catalogues, newspapers, and periodicals;

(iii) Inbound correspondence and direct mail up to 50g are free if such an item is distributed within the domestic service by a postal company that has collected this item abroad;

(iv) The current total volume of the addressed mail market is, with 280 million items, rather limited; inhabitants receive only 44 (addressed) letter mail items per capita.

TNT observes that the Slovak market seems to surpass 'normal' market development trends; transactional mail volumes seem to decline. This observation is not confirmed by the NRA and the NPO. According to them transactional mail volumes are growing, despite e-substitution.

Regulatory development

- The reserved area was reduced from 100g to 50g as of 1 January 2006. In 2005, ECORYS reported that the Ministry was aiming at liberalisation in line with the future EC postal directives, but at the same time the Government decided to look for ways to accelerate the process of liberalisation. In 2006 the debate in Slovakia regarding the liberalisation and the financial compensation for providing the universal service resulted in the decision not to opt for early liberalisation. Slovakia has the opportunity to liberalise in 2013, two years after the general European liberalisation date.

- In February 2008 the Slovak parliament revised the Postal Act 2001, because this act gave – supposedly – too much room for interpretation of the scope of the reserved area. Parliament feared that the stability of the universal postal service could be threatened by circumvention of the Postal Act 2001 by cherry-picking competitors. The Postal Act 2001 provided room for operators to deliver mail within the reserved area (items up to 50g) when such mail items could be defined as 'hybrid mail'. This 'loophole' was closed in the revision of February 2008 (effective from 1 April 2008), which clarified some stipulations and added that the reserved area shall not apply to correspondence and direct mail items if such an item is delivered by way of self delivery and document exchange.

- Market parties like TNT Post claim that this decision goes against the (European) developments and further strengthens the position of Slovenská pošta, a.s. In June 2008 the EC has requested Slovakia to clarify these recent amendments to its Postal

Law. The EC informed Slovakia that it might adopt interim measures to require the new provisions to be suspended so as to prevent serious and irreparable harm to competition.

Market developments

- Slovenská pošta, a.s. still is the dominant postal operator with a market share of 98.1% and 99% in domestic addressed mail and international letter mail, respectively. The effects of the reduced threshold for the reserved area from 100g to 50g seem to be small. TNT Post, Kolos, SMS and Prvá doručovacia are the main competitors in the addressed mail market. TNT Post Slovensko is one of the challengers of Slovenská pošta, a.s. and started a distribution service for addressed (bulk) mail. In their opinion, the addressed mail market is still closed for alternative operators. In the other segments, Slovenská pošta, a.s. faces far more competition. TNT Post is market leader (66%) in the unaddressed market segment, and Kolos (a subsidiary of Austrian Post) has a 10% market share in unaddressed mail. In the domestic parcel segment Slovenská pošta, a.s. has a market share of around 65%; for international parcels it is about 72%. In addition to the large international operators like DHL, TNT, and Fedex (Inspekta Slovakia), several national market players are also present. In the first half of 2008, there are 21 registered alternative postal operators (mainly in the parcel & express segments), realising a joined turnover of 4.8 billion SKK (€ 146 million) in 2006, circa 47% of the total market (in 2005 circa 38%).

- The direct mail market segment seems to be underdeveloped (at least in comparison to various Western-European countries); further liberalisation of the market may result in more initiatives and innovation and growing postal streams. It is expected that because of (international) investments further developments will be stimulated. At the moment the total turnover in direct mail is SKK 1.3 billion (€ 45.5 million) and the expected growth rate is 10%.

- TNT Post indicates that consumers ask for more services, but that their possibilities and ambitions are limited because of the existing reserved area.

Discussion points

- The Slovakian discussion whether hybrid mail should be part of the reserved area is a very interesting one, stretching out beyond the interests of just Slovakia. It seemed that the delivery of hybrid mail under 50g was not part of the reserved area. Competitors like TNT Post Slovensko anticipated this and used the delivery of hybrid mail as one of the mechanisms to challenge Slovenská pošta. The revision of the Postal Act in February 2008 makes clear that delivery of hybrid mail is part of the reserved area, and definitely will limit the further development of competition in this segment. ECORYS is not in the position to make a definitive judgement on this (legal) topic, but it should be made clear whether the hybrid mail segment was part of the reserved area in the past or not. Monopolisation of a previously liberalised segment is not in line with the Postal Directive and the path to full market opening. It is important that this issue is clarified by the Slovak government, as requested already by the EC.

- Further, ECORYS observes that the current reserved area seems to be quite profitable (14% in 2006). Therefore one can question whether it is really necessary that hybrid mail is part of the reserved area in order to safeguard the availability of the universal service in Slovakia. ECORYS questions whether this hybrid-mail discussion is really focussing on the availability of the universal service, or is in fact a more political discussion related to the (future) position of Slovenská pošta.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	
Parcel (main players)	NPO (65%)	DPD, UPS, DHL, TNT, TEN Express and smaller operators
Unaddressed	NPO (< 24%)	TNT Post (66%), Kolos (10%)
Cross border mail	Letters: NPO (99%) Parcels: NPO (72%)	TNT, DHL, Fedex, UPS, TEN Express and smaller operators
Addressed mail (market share CPOs)*	1.9% (2006)	TNT Post, Kolos, Prvá doručovacia, SMS
Population density (inhabitants/km^2)	110	
Total addressed mail market (items)	281 million (2006)	
Addressed mail volume per capita	52	
Status of NPO	In 2004 the state-owned Slovenská pošta, a.s. was transformed into a joint stock company	The state owns 100% of the stock
Main divisions of NPO	Sales and marketing division, operations division	The operations division includes (amongst others) mail, express, hybrid mail, international mail and the post offices

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2007 unless indicated otherwise.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	In 2002, the universal service obligation was designated to Slovenská pošta, a.s. The costs of the universal service are assessed by a costing model allocation using the so-called ABC method. Before the cost allocation, the economically non-justified costs are excluded from the allocation. The net cost of the universal service obligation has not been calculated yet.
Reserved area	The reserved area encloses all items of correspondence up to 50g, including direct mail. Books, catalogues, newspapers, and periodicals are not regarded as items of correspondence. Also outbound cross-border mail is part of the reserved area. Inbound correspondence and direct mail up to 50g are free if such an item is distributed within the domestic service by a postal company that has collected this item abroad.
Licensing and network access	The authorisation for delivering universal services was granted to Slovenská pošta, a.s. There are 21 registered operators who are allowed to operate within the universal service and outside the reserved area. The Postal Act 2001 does not give the opportunity for postal operators other than Slovenská pošta, a.s. (the license holder) to use the public postal network. However, access to the postal network can be negotiated.
Tariff principles and transparency of accounts	The postal services that are part of the universal service (and the execution of the postal payment service) are subject to ex-ante price regulation on a cost-plus basis. The NRA regulates prices on the basis of objective results of the past year and expected developments in costs for the next year. The NRA designates the level of economically justified costs (non-justified costs are excluded from the calculation) adjusted for inflation and the profit level. The NRA uses these to set the maximum prices for the next period. Transparency of accounts is ensured by the costing model using the ABC method and by analytical accounting of revenues with separated accounts for universal services and other services.
Quality of services	The quality requirements regarding universal services are laid down in the annex of the postal license of Slovenská pošta, a.s. and include requirements with regard to the transit time, the accessibility of postal services and information on the universal service, security of the items and handling of complaints. In 2006, 96.5% of the 1st class letters were delivered the next day.
The national regulatory authority	The national regulatory authority is the Postal Regulatory Office which has a full set of regulatory powers. In 2006, 12 people in the NRA were dealing with postal affairs.

Country sheet: Slovenia

Summary

Mail market characteristics

The mail market in Slovenia is characterised by:

(i) It is a small country with mountains and forest with a small population and average population density;

(ii) A relatively high level of addressed mail per capita;

(iii) Little regulatory interference;

(iv) Liberalisation of direct mail in 2004.

Regulatory developments

- The Postal Services Act of May 2004 (ZPSto-1-UPB1) lays down the postal sector regulation for the Republic of Slovenia.

- Between 2003 and 2006 postal service regulations have been brought into line with the EC directives. Following the Postal Services Act, the weight threshold for reserved services was reduced at 1 January 2006 to 50 grams and the price limit was set at two and a half times the price of standard correspondence in the first weight category. Both domestic and cross-border mail is reserved with the exception of direct mail, which was already liberalised in 2004.

- Licences for non-reserved universal services are granted by the NRA, the Post and Electronic Communications Agency of the Republic of Slovenia (APEK). There are no significant barriers to obtain a license.

Market developments

- In 2006, the volume of the Slovenian mail market (including unaddressed and excluding parcel mail and express) was around 1 billion items, compared to 850-900m items in 2005. The largest part of the increase was most probably caused by growth in unaddressed mail. Excluding unaddressed, the volume is around 500m items in 2006.

- According to a market analysis of APEK, based on a questionnaire to all postal operators with declaratory order in the years 2005 and 2006, the following market developments can be observed.

- The number of CEP (courier, express and parcel services) documents and parcels in domestic and international traffic is increasing in the market, especially the number of CEP parcels in the international postal market. The growth of income in the postal sector is only moderate. The difference in income between Pošta Slovenija and other postal service providers is decreasing.

- The share of Pošta Slovenije in total postal income is still large, but slowly decreasing: from 83.3% in 2004 to 80.1% of total income in 2006. There is a decrease in the number of insured and ordinary letters handled by Pošta Slovenije in the domestic and international postal market, but the demand for other services provided by Pošta Slovenije is increasing.

- The quality of postal services is stable (but below the threshold set by legislation) and there is a constant growth of employment in the postal sector.

Discussion points

- ECORYS observes indications of actual competition, such as an increase in CPO income compared to NPO income, but notes that this still is mainly due to increased competition in Courier, Express and Parcel services. Moreover, although different licenses have been rewarded for non-reserved universal services, Pošta Slovenije still has a monopoly in the addressed mail segment. This development is probably caused by the fact that the Slovenian postal market is relatively small. Therefore, ECORYS does not expected significant increase in competition before full market opening.

- Notwithstanding the previous observation, ECORYS notes that Pošta Slovenije is preparing for full market opening by meeting consumer demands by providing a six day per week delivery service to 68 % of Slovenian households, whereas Slovenian law requires it to deliver five times per week.

Summary information on the market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	USP: 56%	
Parcel (main players)	USP: 78%	
Unaddressed	USP: 100%	Unconfirmed information indicates that Euromedia has a 5% market share in this segment
Cross-border mail	USP: 100%	
Addressed mail (market share CPOs)*	USP: 95-100%	
Population density (inhabitants/km^2)	99	
Total addressed mail market (items)	Ca. 500m	Including cross-border mail and periodicals, excluding (at least) 473m unaddressed mail
Addressed mail volume per capita	Ca. 250	
Status of NPO	Limited liability company	100% state owned
Main divisions of NPO	Nine geographical divisions, eight supporting services	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The Slovenian universal postal service includes the following services: • routing of postal items weighing up to 2 kg; • routing of postal parcels weighing up to 20 kg; • services for registered items and insured items; and • routing of postal items for the blind and partially sighted persons. The USP is entitled to compensation if the costs incurred by the provision of universal services exceed the income from these services and if these differences cannot be covered with income generated through the provision of reserved postal services.
Reserved area	The reserved area consists of ordinary correspondence up to 50g, both domestic and cross-border (inbound and outbound), with the exception of direct mail which was fully liberalised in 2004.
Licensing and network access	The Slovenian postal law requires operators to acquire a licence in order to provide universal postal services. In 2007, 11 licenses have been granted. The licensing conditions are light.
Tariff principles and transparency of accounts	Services in the universal service area are subject to price control. Prices should be based on the costs of an effective provision of the universal service. The NRA supervises and ensures the conformity of the accounting system employed by Pošta Slovenije through an independent institution.
Quality of services	Universal services are subject to regulated transit times. Of domestic correspondence items, at least 95% must be delivered in one working day (D+1) and at least 99.5% of domestic correspondence items should be delivered in two working days (D+2). The standards for cross-border mail are in line with the Directive: 85% of the mail needs to be delivered within three days (D+3) and 97% needs to be delivered within five days (D+5). Revised results of measurement of transit time in 2006 shows that 88.0% of domestic correspondence items were delivered in one working day (D+1) and 98.4% of correspondence items in two working days (D+2). Measurement is carried out by an independent auditor per 2006 and is in line with EN 13850.
The national regulatory authority	The NRA of Slovenia is the Post and Electronic Communications Agency of the Republic of Slovenia (APEK). APEK is an independent regulatory body and has a full range of regulatory powers. In 2007, five staff members were employed with a main focus on postal services.

Country sheet: Spain

Summary

Mail market characteristics

The following characteristics are important for the dynamics in the Spanish mail market:

(i) Spain is the second largest country in the EU with a relatively low population density unequally distributed over the country;

(ii) Domestic intra-city mail is not part of the reserved area, and in addition, there are no bulk mail arrangements, which de facto means that direct mail is liberalised (both inbound and outbound cross-border mail less than 50g are however part of the reserved area);

(iii) The VAT exemption of Correos is limited to the reserved services, implying that there is – in this respect – a level playing field in the liberalised part of the market.

Regulatory development

- According to postal directive 2002/39/EC, the reserved area was reduced from 100g to 50g as from 1 January 2006. In November 2006, a Royal Decree (Real Decreto 1298/2006) was passed providing for procedure for dispute resolution among operators and providing regulation for access to the NPO's (Correos y Telégrafos) postal facilities by other authorised postal operators. However it was not until May 2007 that Government approval was given.

- The Decree stipulates that only those postal operators with sole administrative authorisation to provide postal services included within the scope of the universal postal service may access the public postal system managed by Correos. Given the recent imposition on the NPO of a mandatory access regime, the NRA has stated that it is unlikely that further liberalisation will take place in advance of full market opening on 31 December 2010.

- More recently there has been an amendment to the Royal Decree 1829/1999, Article 37, which now provides for Correos not to deliver to the door in special circumstances.

Market developments

- Historically, the combination of the relatively low quality of service performance by Correos and the fact that domestic intra-city mail is not part of the reserved area has given rise to the emergence of a large number of small local and sometimes regional competitors. As at June 2008, 532 licenses were granted to postal operators offering services within the universal service. Founded in 2001, Unipost has become the main competitor of Correos comprising a network of the 19 main competitors in Spain.

Unipost reported 70% national coverage in 2004 and has an ambition to reach 100% national coverage in 2009. DPWN[8] acquired a 38% stake in Unipost in 2004.

- Correos has invested into improving their QoS performance with good results, although in 2006 not all QoS thresholds were met. Furthermore, Correos has stated that it intends creating higher value added products and intends to open up new channels for marketing in response to the challenges posed by electronic media. The parent company's strategy for the online market is to design a specific range of innovative high-tech services on the one hand, and, on the other, to offer conventional postal products that have been adapted to the new technological tools.

- The NRA estimates that near 60% of the letter market is open to competition, but that the NPO retains 93.7% of this market (individual item mail). ECORYS estimates the total market share of CPOs in the addressed mail market at 10-12%.

- The postal market appears to be still growing, both in terms of letter mail and express services. However, the NPO reports that in recent years growth in mail volume has slowed down. Stagnation is foreseen in the short-term and a slight decline of volumes in the mid-term, possibly due to electronic substitution.

- In 2006, Correos joined the Kahala Postal Group, composed of the national postal operators in USA, China, Japan, Australia, Hong Kong, Korea, UK and in 2007, France. The objective was to face the increasing pressure from international integrators and to offer express parcel services of high quality.

Other issues

- Correos receives state funding towards the accounting cost of the USO, which is disclosed within its statutory accounts (see table below).

- The NPO is heavily unionised and over the years there have been a number of disputes. The recent changing of the USO delivery requirement (that is to no longer have to deliver to the door) to homes more that 250m away from a main road may lead to further unrest as the union estimates that at least 400 jobs in the region most affected may be lost.

- However, the NRA is of the view that delivery requirements are in fact not relaxed and that the USO in its entirety will be better served by providing better guarantees of delivery.

Discussion points

- ECORYS notes that the development of competition in local postal markets can be attributed to the relatively low level of service quality provided by the NPO, though would not have been possible if intra-city mail was not liberalised. Consequently, the developments in Spain provide evidence for the fact that customers switch between postal operators as a result of differences in service quality.

[8] Deutsche Post World Net

- The change in the universal service obligation in Spain, according to which Correos is no longer obliged to deliver to houses that are more than 250 metres from a main road, provide evidence that USO regulations should allow diversification in scope, taking geographic information into account.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	Many
Parcel (main players)	Competitive	Many
Unaddressed	Competitive	Many
Cross border mail	No information	
Addressed mail (market share CPOs)*	10-12%	ECORYS estimate. The figure for Unipost alone is 8.2%.
Population density (inhabitants/km^2)	87	
Total addressed mail market (items)	6.2 billion items	
Addressed mail volume per capita	141	
Status of NPO	State enterprise	
Main divisions of NPO	Mail, parcels, express, counter and financial services	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2007. Note that accurate data on the combined market share of CPOs are not available, as no mail volume data are known for the many local postal operators.

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	The NRA has a fairly broad definition of the USO being defined as an ensemble of postal services of a determined quality, permanently available throughout Spain at affordable prices. Recently, the Government has given Correos the permission to abandon deliveries to homes that are more than 250 metres from a main road. The NRA reported that in 2005 the "cost" of the USO was 221 million euro and the state provided funding of 91 million euro or 41% of the cost. In 2006, the budget allocation of the government totalled € 93m and in 2007 the figure earmarked to the postal service amounted to € 95m.
Reserved area	The Spanish postal market is already liberalised to a greater extent than most other EU Member States: domestic intra-city mail is not part of the reserved area and direct mail delivery has always been open to competition. The delivery of items of correspondence with a weight level of less than 50 grams and less than two and a half times the basic tariff is still reserved for intercity mail and cross border mail.
Licensing and network access	The NRA issues both Singular Administrative Authorisations and General Administrative Authorisations (to offer postal services that are not included in the sphere of the universal service). There are two types of service in each category, (i) urban areas and (ii) urban and international areas. In 2007, a mandatory access regime has been imposed on Correos.
Tariff principles and transparency of accounts	With regards to the reserved area, any price changes must be authorised by the NRA, whilst in terms of the non-reserved USO area, the NRA reserves the right to

Aspect	Implementation and remarks
	set maximum prices, although, to date, it has not done so. For those services that are non-reserved, non-USO the NPO is free to set prices within market conditions. Regulatory accounts are produced for the NRA but not published publicly in detail
Quality of services	The NRA sets standards in accordance with the Postal Directive and the NPO publishes results within its annual report. The results are presented in two forms, one of internal measurement and one using external services, which appears to be in conformance to CEN standards
The national regulatory authority	The NRA will be the National Postal Sector Commission whose main powers are managing the registry of postal operators data collection, setting QoS targets, conflict resolution, access conditions, establishing net cost of the USO inspection and control over the postal market and checking the regulatory accounts. Currently these responsibilities are with the Ministerio de Formento which also has responsibilities for postal and telegraphic services, postal service policies, authorising postal prices within the reserved area and international postal issues. 40 staff deal with postal affairs

Country sheet: Sweden

Summary

Mail market characteristics

(i) Sweden is a large country with relatively low population density. The barriers to develop a nationwide delivery network are hence relatively large. However, the ten largest cities in the country house the majority of Swedish inhabitants while the three largest cities account for more than two million people;

(ii) From a legal perspective, entry to the market is relatively easy. Providing postal services requires a licence, but obtaining a licence is relatively easy as the policy of the issuing authority, the national regulatory authority PTS, is to issue a license if there are no formal reasons to deny it. Formally, any postal operator can be required to provide the universal service, but it is commonly acknowledged that only Posten AB has the obligation to provide the USO.

Regulatory developments

- The Swedish postal market has been liberalised since 1 January 1993. At that time, legislation was mainly aimed at guaranteeing quality and maintaining universal postal service instead of creating competition. In general, the regulatory framework in Sweden became more supportive to the development of competition in the postal market since the end of the last century.

Market developments

- Over the last decade, letter mail volumes have been decreasing per year in spite of a gradual increase of GDP. Items of correspondence are particularly decreasing in volume, while addressed direct mail still shows a rising volume.

- Since 2000, mail volumes have decreased mainly because of substitution by electronic media and competition in the advertising market by alternative media. However, it is impossible to determine the exact share of e-substitution in the decline of the postal market volumes.

- Competition has developed slowly in Sweden. In the addressed mail market, there is only one main competitor to Posten AB, which is CityMail Sweden. Initially, CityMail faced many difficulties. CityMail came near to bankruptcy in 1995. CityMail claims 1999 as a crucial year as most disputes with Posten AB were resolved in a new settlement concerning address changes, mail redirection and use of post office boxes.

- Currently, CityMail has a market share in the bulk mail segment of approximately 13%, which translates into a market share for the entire addressed mail market of approximately 8.6% (in volume). Since 2001, CityMail has operated with a profit.

- In 2007, the regulator PTS published a study on the liberalised Swedish postal market, evaluating the situation 14 years after abolition of the postal monopoly. The main conclusions of this study were:
  - The previously high service quality of Posten AB has improved as a result of the liberalisation and the growing competition;
  - Price development has shown a mixed picture:
    - Stamp prices have increased. The liberalisation of the postal market in Sweden is not the reason for the increase in prices. Decisions to raise prices were taken when VAT on postal services was introduced and when prices for Posten AB's letter mail products were re-balanced in relation to costs;
    - Other segments of the market such as bulk mail have benefited from lower prices after competition was introduced.
  - Customers have experienced more flexible conditions, closer cooperation between the former monopolist and the customer, the development of new products, a decrease in the number of delayed letters and an improved follow-up on provided services;
  - There has been a reduction of the number of employees within Posten AB. This is the result of the introduction of new techniques including highly automated sorting centres and the reorganisation of the post office network. This had already started before the liberalisation of the postal market.

Other issues

- The Swedish legislator did not consider it necessary to provide a financial compensation mechanism for the provision of the universal service. Certain services to elderly and disabled persons are however procured by the NRA. If the NRA deems it necessary to provide financial support for the provision of certain social services, they will be procured by the NRA. For example, the NRA provides Posten AB compensation for the extended service by rural postmen to the aged and disabled (SEK 4.8m in 2007, which roughly equals € 0.5 million) and for the dispatching of audio cassettes and similar items to the visually handicapped (SEK 31.7m = € 3.5 million).

- Posten AB also has a universal service obligation to provide a daily and basic counter service. The obligation to provide such services will be abolished as from 1 January 2009. Furthermore, as from 1 January 2008, Posten AB does not receive any subsidies out of the State budget for the provision of counter services that are not commercially justified.

- In Sweden, labour conditions between the incumbent Posten AB and the main competitors CityMail are equal, as CityMail has had a collective agreement with the same trade union as Posten AB regulating wage levels, working hours, overtime payment, sick pay and pensions.

- In Sweden, hybrid mail volumes are increasing. Initially the main trigger for the introduction of hybrid mail was to handle overnight delivery for large volumes that were electronically produced. Later, hybrid mail became a part of the service range offered to customers. This was partly influenced by the opening of the market and the need to protect mail volumes.

Discussion points

- According to ECORYS, developments in Sweden show that competition can increase in a postal market with declining volumes. However, the Swedish experience also shows that competition was unable to develop before issues of address changes, mail redirection and access to post office boxes were resolved.

- Experience in Sweden show that a complete system of regulated access is not always necessary for competition to develop. The NRA confirms this by stating that there is no need for regulated upstream and downstream access in the near future. However, it must be noted that the Swedish postal market has been completely liberalised, has a level playing field regarding VAT, and has settled disputes relating to issues of address changes, mail redirection and access to post office boxes.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	Competitive	
Parcel (main players)	Competitive	
Unaddressed	NPO: 64%	SDR (30%), S-Post (5%)
Cross-border mail		
Addressed mail (market share CPOs)*	NPO: 90.7%	Citymail: 9%
Population density (inhabitants/km^2)	20.17	
Total addressed mail market (items)	3.15 billion items	
Addressed mail volume per capita	354	
Status of NPO	Posten AB is a public limited company. The Swedish government holds 100% of the shares	A merger with Post Danmark was announced
Main divisions of NPO	Mail, express, logistics, IT & printing	

Note: * The market share of CPOs refers to the combined market share of CPOs in domestic addressed mail delivery, excluding newspaper delivery. All figures refer to 2006.

Summary information on the implementation of the Postal Directive is given below.

Aspect	Implementation and remarks
Universal service and its financing	The USO complies with the Directives and is carried out by incumbent Posten AB. There is no arrangement for the financing of the universal service, but certain services are (and can be) procured by the NRA.
Reserved area	The addressed mail market has been formally liberalised since 1993.
Licensing and network access	A licence is required to provide services for addressed mail up to 2 kg in envelopes or other wrapping. A licence is also required for postcards, individually addressed periodicals, magazines, newspapers, catalogues and books. License requirements are relatively easy to meet. Network access is available on a negotiated basis. Agreements between Posten AB and CityMail on access to PO boxes, redirection of mail and the change of address-database exist for many years.
Tariff principles and transparency of accounts	Prices shall be reasonable and geared to costs. Single mail items shall be forwarded at a uniform tariff. In addition, there is a price cap for first class single items up to 500 grams. The price increases are capped by the consumer price index. The principles for regulation are in line with the Directive. Pricing shall be based on a transparent system for cost calculation which includes uniform and justified principles for the allocation of cost.
Quality of services	There are only standards for routing time. The standards for domestic routing time are: D+1: 85%, D+3: 97%. International routing times are in line with the Directive (J+3: 85%, J+5: 97%). All these standards are currently met.
The national regulatory authority	The NRA is PTS. Their main powers are data collection, supervision and issuing regulation. Nine FTE are working at the postal unit of PTS.

Country sheet: United Kingdom

Summary

Mail market characteristics

(i) The population density is above the European average, but there are significant geographic areas that are low density with difficult accessibility;

(ii) Downstream access is mandatory and access prices seem to be geared to cost of (downstream) delivery;

(iii) Alternative local and regional delivery networks have not developed prior to full liberalisation in 2006;

(iv) Royal Mail is exempt from charging VAT on all its services;

(v) Addressed mail per capita volumes are above the European average; as from 2005 it appears that a long term decline has started in which addressed mail volumes fall by circa 1-3% per year.[9]

Regulatory developments

- The Postal Market within the UK has been fully liberalised since January 2006. Postcomm is actively promoting competition and several aspects can serve as a benchmark to other EU Member States (such as interoperability in a multi-operator market, public consultations, market surveys, transparency and non-discrimination with regard to downstream access).

- Since 2001, there is mandatory access to the network of Royal Mail. It is up to third parties to negotiate access with Royal Mail. If an agreement cannot be reached, either party can request determination of the terms of access from Postcomm.

- The first access agreement was reached in 2004 between Royal Mail and UK Mail. As a result of the applied principle of transparency and non-discrimination, the access agreement with UK Mail was subsequently used as the basis for access agreements with a variety of other postal operators and (large) customers.

- Over the course of 2004 another type of access agreement was negotiated - based on de-averaged zonal prices. This access agreement became the second standard access agreement. Additionally, there are variants for both the national and the zonal access contracts that enable operators to act as an agent and thus minimise the VAT charges they are required to pass to their clients.

[9] Source – CS UK draft final Royal Mail Comments July 2008.

- Postcomm has regulated the minimum headroom between access products and their analogous retail products as a (minimum) percentage price difference as part of the 2006-2010 Price Control.

- Royal Mail Wholesale was established in April 2006 in order to manage all aspects of Royal Mail's interface and commercial arrangements with customers wanting to make use of Royal Mail's postal facilities under Condition 9 of Royal Mail's licence.

- Postcomm is considering the role of equivalence of treatment (in price and non-price terms) between third parties and Royal Mail items accessing any part of Royal Mail's network in any future regulatory framework. Equivalence has a number of potential benefits. For instance, it could ensure that Royal Mail does not favour its own products over those of competitors, it enables competitors and Royal Mail to compete on the same terms, it could encourage end-to-end competition by ensuring that the size of the access margin does not squeeze the margin available for other pipeline activities and it should provide incentives to Royal Mail to ensure its costing system is transparent and fair. Postcomm is likely to propose that some form of equivalence should form a critical part of the overall regulatory framework for post 2010.[10]

- In addition to Postcomm, the UK has a consumer body called Postwatch. Postwatch is an independent organisation to protect, promote and develop the interests of all customers of postal services. Postwatch will cease to exist in September 2008 and its functions will be absorbed into Consumer Focus.

- License requirements include the assurance of interoperability between postal operators. The Common Operational Procedures govern this in detail, including prices to be charged for retrieval and repatriation. The procedures are designed to deal with any off-course mail and cover all mail carried pursuant to a licence by any licensed operator.

- Royal Mail is obliged to perform to set standards in relation to collections from post boxes and deliveries to residential and commercial premises. Where deliveries are concerned, Royal Mail is also required to meet a target in respect of the percentage of mail that is correctly delivered.

- Postcomm monitors Royal Mail's compliance with these standards; and if Royal Mail fails to meet them, Postcomm may consider investigating these failures. Ultimately, Postcomm can consider taking enforcement action - such as obliging Royal Mail to put matters right or imposing a financial penalty.

Market developments

- Competition has developed fairly rapidly in the upstream part of the market. UK Mail and TNT have become the most important competitors amongst the 20 licensed postal operators other than Royal Mail.

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[10] Second submission by Postcomm, the industry regulator. http://www.psc.gov.uk/postcomm/live/news-and-events/news-releases/2008/funding-from-the-private-sector-will-help-royal-mail-deliver-a-valued-universal-service/Postcomm_Second_Submission.pdf

- Access volumes have grown to circa 20% of the licensed area and to 40% of upstream bulk mail volumes in 2007/8 (April-March) and are continuing to grow.

- In addition, there are mailing houses that provide a one stop shop of production, print and enclosing and sorting who generate bulk mail that is injected upstream in the Royal Mail network.

- Competition from an end-to-end perspective has been slow to develop. The main competitor is DX who focuses on B2B document exchange mail and B2C niche markets (around 70% of DX's volume is generated outside the licensed area). Recently, TNT started trialling own delivery in Liverpool.

- Many postal operators have now introduced bar-coding that builds on the postcode enabling bulk mailings to be sorted down to individual residences including the order that is required for delivery within individual post-person's walks.

- Customers feel they have competitive choice, access to market information, and few barriers to entry. Perceived quality of service is high, and has increased from last year, for all leading providers.

Other issues

- Almost all rural branches are loss-making for Post Office Ltd (POL) and it takes some £3 million a week to run the rural network, money which comes from the Government's annual £150 million Social Network Payment.[11] Postcomm expressed the view that there is a strong case for demerging POL from Royal Mail Group so that each business can focus more attention on their divergent problems.

- In the light of the significant changes in the postal market since the introduction of the Postal Services Act 2000, the UK Government started an independent review of the postal sector in 2008. The terms of reference for the review are:
  - To assess the impacts to date of liberalisation of the UK postal services market, including on the Royal Mail, alternative carriers and consumers;
  - To explore trends in future market development and the likely impact of these on Royal Mail, alternative carriers and consumers; and
  - To consider how we maintain the USO in the light of trends and market developments identified.[12]

- The results obtained so far suggest that there is a substantial threat to Royal Mail's financial stability and, therefore, the universal service and that the status quo is not tenable. No specific date for the final results has been set.

Discussion points

- According to ECORYS the current access regime is likely to be conducive to the development of access competition rather than to end-to-end competition. There is a variety of reasons behind this assessment, notably the low access prices (below retail

11 Source – Royal Mail fact sheet.

12 See www.berr.gov.uk/sectors/postalservices for more information about the review.

prices minus avoided cost), headroom regulation (maybe warranted to prevent margin squeeze) which hold the access prices artificially low (or the retail price of Royal Mail artificially high). Moreover, the access conditions (national geographic profile requirement) make the combining of own delivery with access unattractive. The VAT distortion (valid for around 50% of the market) almost does not apply if access is used (through the 'agent' contracts), but remains a key barrier to the promotion of effective end-to-end competition.[13]

- The sharp rise in access volumes has contributed to the financial deterioration of Royal Mail's performance in recent years. A potential reason for Royal Mail's acceptance of this reduction in margins (the access prices were negotiated and not imposed by Postcomm) might be that low access prices avoid the bigger threat of end-to-end competition.

- Compared to the situation in other EU countries, Royal Mail faces regulation for a large part of its products and services. Also, the UK is the only country in the EU that has chosen to regulate the minimum price difference between the access prices and the prices for comparable bulk retail products with the purpose to prevent a margin squeeze.

Summary information on market developments:

Postal market segment / aspect	Competition (market shares)	Main competitors / remarks
Express	NPO: 8%	Many
Parcel (main players)	NPO: 2%	Many
Unaddressed	NPO: 25%	Many
Cross-border mail	NPO: >90% (inbound) NPO: 33% (outbound)	Outbound: DHL, TNT, La Poste, De Post (BE), Swiss Post
Addressed mail (market share CPOs)*	Ca. 20-22% access Less than 1% end to end	TNT and UK Mail DX
Population density (inhabitants/km^2)	250	
Total addressed mail market (items)*	Ca. 21 billion items	Licensed area, incl. inbound cross-border mail
Addressed mail volume per capita*	347	Licensed area, incl. inbound cross-border mail
Status of NPO	State owned	
Main divisions of NPO	Mail, parcels, express, counter and financial services	

Note: The market share of CPOs refers to the combined market share of CPOs, with separate figures for upstream (access) competitors and end-to-end competitors in domestic addressed mail delivery (excluding international mail and newspaper delivery) in the licensed area (<350 grams in weight and <£1 in price).
* Figures refer to 2007/8 (estimates), all other figures refer to 2006/7.

[13] As compared to an access regime that is based on less strict (national) fall to ground requirements (clearly, the positive side of access is that mail volumes can be acquired through access before actually starting delivery through an alternative delivery network).

Summary information on the implementation of the Postal Directive:

Aspect	Implementation and remarks
Universal service and its financing	Collections and deliveries are set at six days per week. As the 'cost' of providing the USO (as opposed to the benefits of being the USO provider) are a key factor in the licensing regime (price control) for Royal Mail in the UK, the definition of the USO is a crucial factor in regulation of the UK postal market. For that reason, Postcomm is taking views on the USO as part of its strategic review. Royal Mail would like the scope of the USO reduced to first and second class stamped mail, standard parcels (and a registered and insured product as required by the Directive) but is opposed to a reduction in USO activities or in service quality. The NRA has recently undertaken a study to assess the costs and benefits to the NPO of potential changes to the USO specification. From an accounting perspective, the accounts for 2006/7 give an operating profit (before exceptional items) of £27m (€40m), although it is understood that this figure includes the NPO's additional pension costs in terms of the funds forecast shortfall. Royal Mail's 2007/8 Report and Accounts show an estimated loss of £100m for the universal service and an estimated loss of £200m for the price-controlled area in 2007/8.[14]
Reserved area	The UK postal market is fully liberalised since 1 January 2006.
Licensing and network access	A licence enables but does not require the delivery of addressed mail in the UK (no licence is needed to offer international outbound mail services). The framework was introduced on 1 January 2006 (the date of full liberalisation) and amended on 16 January 2008 and applies to all operators, but with additional requirements on Royal Mail as the dominant supplier, which includes strict price and quality requirements. The licensed area covers most types of mail (excluding unaddressed mail) weighing less than 350 grams or costing less than £1. Access to Royal Mail's postal facilities is open to customers and other postal operators alike on a negotiated basis and on transparent and non-discriminatory grounds as per the terms of the Directive. According to Postcomm, the access price should be based on the cost of downstream delivery.
Tariff principles and transparency of accounts	Royal Mail is required to operate within the pricing framework defined in Condition 21 (previously Condition 19) of its Licence. Royal Mail's price control is in the form of RPI – x, across two baskets (a) Captive and (b) Non Captive, each with a price rebalancing sub-cap element. The detail of the pricing framework is reviewed periodically. Regulatory accounts are produced and published in detail.
Quality of services	Condition 4 of Royal Mail's Licence specifies service standards and levels of compensation. The range of measures set is very extensive.
The national regulatory authority	The NRA is the Postal Services Commission, Postcomm. Postcomm's annual budget is around £10m (€14m); they have circa 60 staff and are funded by licence fees. Postcomm has a full set of regulatory powers. In addition, the UK has a consumer body called Postwatch (2006/07, budget ca. £9m, ca. 94 staff).

[14] Information from Royal Mail. Note that the 2007/8 regulatory accounts were not available at the time of writing this country sheet.

Aspect	Implementation and remarks
	Postwatch will cease to exist in September 2008 and its functions will be merged with other consumer protection agencies.

II Other Countries

Brief country report: Australia

Summary

The Australian postal market is still largely monopolised by the universal service provider. The Australian Postal Corporation Act 1989 grants Australia Post the exclusive rights to mail services weighing up to 250 grams and valued up to 4 times the standard price. Although recommendations have been made to further reduce the scope of the reserved area, the last reform in this field was made in 1994.

Brief country report: Japan

Summary

The 2005 privatisation package has resulted in a separation of Japan Post in four divisions. Privatisation will take place in a transition period which commenced in 2007 and will end in 2017. Postal services in Japan are *de jure* fully open to competition, but strict conditions for obtaining a license result in a *de facto* monopoly in the addressed mail market for Japan Post.

Brief country report: New Zealand

Summary

The New Zealand postal market has been liberalised since 1998. However, perhaps due to its small scale, little is known about the results of the introduction of competition. New Zealand Post has been a state-owned enterprise since 1987 and privatisation is not to be expected in the near future. There is no universal service in the New Zealand postal market, but its main operator is, by means of a contract, bound to perform certain social obligations.

Brief country report: United States of America

Summary

Ever since starting its postal operations in 1970, the United States Postal Service (USPS) enjoyed a monopoly in the letter market, with only some exceptions in the parcel and express markets. Competition in the United States of America's (U.S.) postal market does not, however, take place through liberalisation based upon the weight of mail pieces, but through work sharing activities, such as pre-sorting and bar-coding by private parties. However, level playing field issues, such as advantages resulting from USPS not being corporatized and the monopoly on mailboxes, form substantial barriers to competition.