



ERGP PL (15) 14

ERGP Report on the outcome of the ERGP public consultation

# ERGP Report on the outcome of the ERGP public consultation on the evolution of the Universal Service Obligation

---

# ERGP Report on the outcome of the ERGP public consultation on the evolution of the Universal Service Obligation



...

## Table of contents

1	Introduction .....	3
2	Background .....	4
2.1	The purpose of the US and the USO .....	4
2.2	Trend of postal volumes .....	4
2.2.1	Decline of letter volumes .....	5
2.2.2	Increasing parcel volumes .....	6
2.3	State of play (inside Europe) .....	6
2.3.1	The range of the Universal Service Products .....	7
2.3.2	Regulation of prices .....	9
2.3.3	Delivery Frequency .....	10
2.3.4	Minimum number of postal offices .....	11
2.3.5	The financing of universal service .....	12
2.3.6	Barriers for competitors to enter the market .....	14
3	The views of different stakeholders on the USO .....	15
3.1.1	Scope of USO .....	15
3.1.2	Delivery frequency and Quality standards .....	17
3.1.3	Price regulation .....	19
3.1.4	Flexibility .....	19
3.1.5	Market barriers and VAT exemption .....	22
3.1.6	Financing the USO .....	23
3.1.7	Future regulation .....	24
4	Initiatives outside Europe .....	26
4.1.1	Australian example .....	26
4.1.2	Canadian EXAMPLE .....	27
4.1.3	New Zealand EXAMPLE .....	29
4.1.4	THE USA EXAMPLE .....	30
4.1.5	Initiatives outside Europe – Conclusions .....	30



...

5	Conclusions .....	32
<b>Annex 1</b>	.....	34
<b>Annex 2</b>	.....	36
<b>Annex 3</b>	.....	42



...

## 1 INTRODUCTION

In recent years, the changing market conditions and the development of consumer needs have entailed a rapid evolution of the postal service sector. As a result of e-substitution and economic crisis, the volumes of the traditional letters mail services have been declining continuously. This decline in letter volumes requires rationalization in the USPs activities, especially due to the increasing net cost of providing the universal service.

The purpose of this Report is to present the views of the stakeholders based on the results of a public consultation and of a workshop related to the implementation of Universal Service in the postal sector and the effects of recent changes in some countries on the scope of the USO.

The Report moves from the findings of the 2014 ERGP *“Discussion paper on the implementation of Universal Service in the postal sector and the effects of recent changes in some countries on the scope of the USO”*. This paper was subject to public consultation and was the basis for further discussions at a well-attended stakeholders workshop held in Bucharest 19th November 2014.

This Report is based on the survey information gathered by ERGP in 2014, the responses from the stakeholders to the public consultation distributed in that year and the discussion in Bucharest.

The Report begins with an updated description of the current state of play in Europe. It follows this with a summary of the key themes and issues emerging from stakeholders’ contributions to the 2014 public consultation.

By way of comparison the Report then describes how the decline in letter volumes has been addressed in a selected set of comparable countries outside Europe.



...

## 2 BACKGROUND

### 2.1 THE PURPOSE OF THE US AND THE USO

Postal services belong to the services of general economic interest.<sup>1</sup> Their availability has ever since had a big impact on the promotion of social as well as territorial cohesion. Despite the massive rise of digital media, the postal sector continues to be considered an essential means for social inclusion and exchange of views moreover, given its support for e-commerce, postal services have retain a key role in the promotion of economic activity. The internal market as well as trade with third countries depends on an efficient communication and logistics infrastructure, without which the further development of competitiveness in the EU / EEA may be hampered.

Given the continuing relevance of postal services, it is important that the EU / EEA retain a universal service (US) comprising an appropriate range of national and cross-border services of specified quality and provided at an affordable price. The minimum scope of US to be guaranteed in all member states has been set within the postal directive (97/67/EC), almost two decades ago, and although the directive was amended in 2002 and in 2008 this minimum scope has not been changed. According to the Postal Directive (article 5), the US shall evolve in response to the technical, economic and social environment and to the needs of users. Over specification has significant risks to sustainability and accordingly its scope has to be oriented to the social and technological developments, encompassing only such services and quality standards that are considered the essential to support the social and economic needs of the EU/EEA while leaving open to the assessment of each member state the necessary flexibility to deal with its specific situation.

One of the main conditions for ensuring a good supply situation in a liberalized market is the creation of a competitive environment. Especially the developments in the European parcel delivery market show that the targets of the US can be met and even surpassed in the course of growing competition. Anyhow, the market failures may occur. Reliance on the market alone may mean that some essential services will not be provided at an affordable price or appropriate quality to all citizens. For this reason it remains necessary to have a legal basis for pronouncing a universal service obligation (USO). With such a USO, comes the need to consider how it can be sustained and financed.

### 2.2 TREND OF POSTAL VOLUMES

The minimum scope of US to be guaranteed in all member states was set within the postal directive (97/67/EC), almost two decades ago. Since then, the rise of digital media has led to the creation of a wide range of new means of communication. The communication behaviour has subsequently

---

<sup>1</sup> Service of general economic interest (SGEI) are economic activities which deliver outcomes in the overall public good that would not be supplied (or would be supplied under different conditions in terms of quality, safety, affordability, equal treatment or universal access) by the market without public intervention.

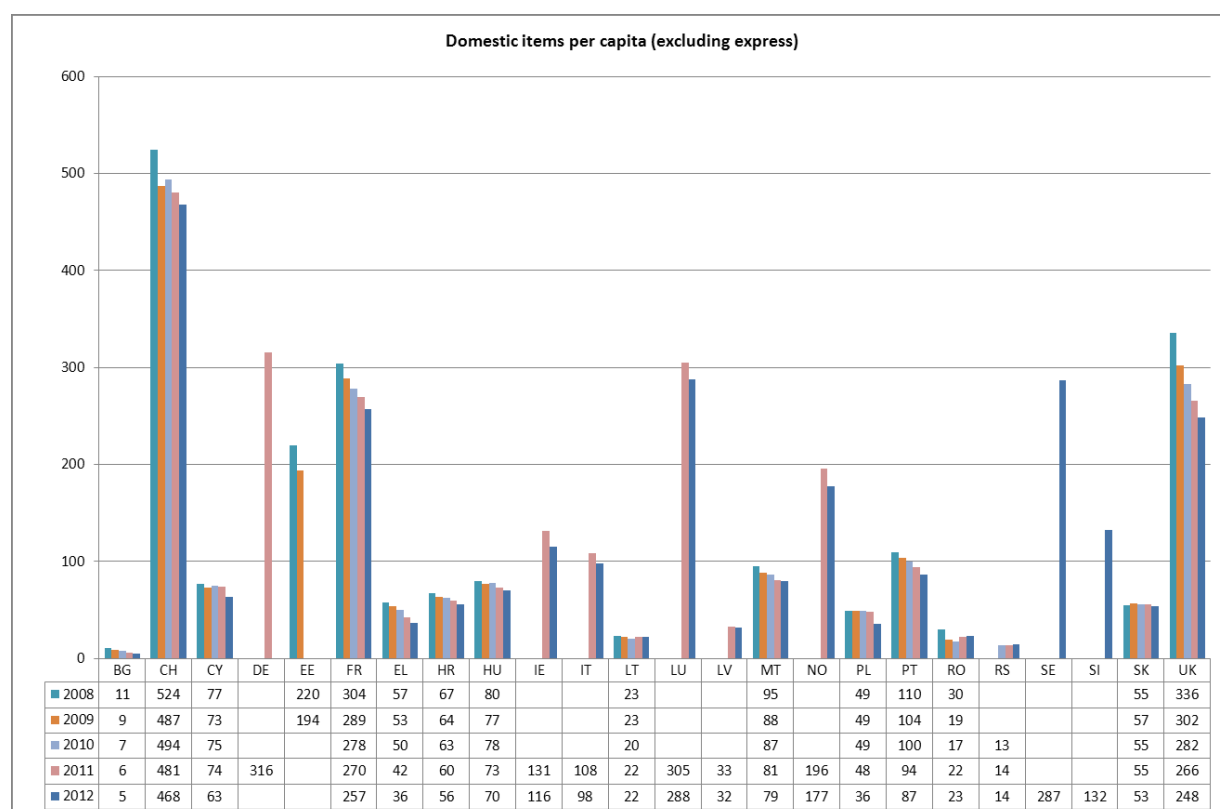


worldwide been subject to major shifts that are reflected by changes in the mail volumes. As the US needs to be user-oriented and in order to ensure the long term sustainability of any USO, the challenges to the US that these changes raise must be addressed, when evaluating the further development of the legal framework.

## 2.2.1 DECLINE OF LETTER VOLUMES

The European regulatory postal framework was launched at the beginning of the 1990s, when the average annual mail volume trend for EU was an increase of 6.1%, quite a contrast from today.

The findings presented in the ERGP “*Discussion Paper on the implementation of the Universal Service in the postal sector and the effects of recent changes in some countries on the scope of the USO* (2014)” showed that the range of volume decline registered in European countries for the last period of known data (2008-2012) varies significantly, as shown in Figure 1.



**Figure 1: Domestic items per capita (excluding express)**  
Based on data provided by “ERGP Report on Indicators on the Postal Market”, May 2014.<sup>2</sup>

<sup>2</sup> Available online at: [http://ec.europa.eu/internal\\_market/ergp/docs/documentation/2014/ergp-13-33-rev.1-ergp-report-on-market-indicators\\_en.pdf](http://ec.europa.eu/internal_market/ergp/docs/documentation/2014/ergp-13-33-rev.1-ergp-report-on-market-indicators_en.pdf).



...

This drop of the total postal volumes has its main cause in the digitalization of the economy leading to an ongoing decline of letter mail volumes which is not a feature of European postal markets; but is also apparent in most postal markets around the world.

In this context, some member states have chosen to change or started the reflection in order to modify the scope of the USO. This can be done by changing the scope of the US within the flexibility provided for by the Postal Services Directive. Some countries have already begun to make such changes and it is clearly important that these changes are monitored when considering how the US might evolve.

Reforms are also being considered or have already begun in countries outside Europe. As we discuss later in this Report Australia, Canada, New Zealand and the USA have all had to respond to major changes in demand and consequently revenue through significant restructuring of their services.

What is clear is that the pace of decline varies considerably between the member states. While it is very likely that the changing communication behaviour will on the long term result in dramatic changes of all letter mail markets, the current progress of e-substitution strongly differs between the member states.

### 2.2.2 INCREASING PARCEL VOLUMES

The digitalization of the economy has led to a massive growth of the e-commerce sector. More and more users purchase goods on the internet. This trend is expected to continue. A natural corollary to this change is a significant growth of the parcel delivery market. Postal operators clearly have an important role as the link between retailers and consumers.

The rise of parcel volumes, however, is not the only change caused by the rapid progress of e-commerce. There is also an alteration of user requirements for the quality of service, e.g. transit times, consignment tracking or flexibility during the delivery process.

These factors need to be considered in the discussion on the US and USO.

## 2.3 STATE OF PLAY (INSIDE EUROPE)

According to the EU regulatory framework, the aim of a universal postal service is to guarantee a minimum range of services of specified quality to be provided in all Member states at an affordable price to all European users, irrespective of their geographic location.

Declining volumes of letter mail raise the need to consider a rationalization in the letter activities of the universal service providers (USPs) within the existing scope of the USO. In this context, some countries have chosen to change or started to consider changes to the scope of the USO within the flexibility provided for by the current Postal Services Directive.



...

Set out below is a summary of the results of our updated questionnaire circulated among National Regulatory Authorities (NRAs) in March 2015. The questionnaire contained some additional questions compared to those circulated in 2014. Answers were received from 30 NRAs.<sup>3</sup>

In general the picture that emerges is a significant variation in the implementation of USO across Europe and evidence of increased pressure on the sustainability of the USO in many member states<sup>4</sup>.

What can be seen is that there is a small core set of services which are included in the USO scope in all countries (such as registered mail, insured mail and ordinary parcel). Outside this core there is significant variation in the services included in the USO for example bulk mail is frequently not specified in the USO.

The next sections provide a description of the implementation of US and USO in the respondent European countries based on the information provided by NRAs in their responses to the questionnaire.

### 2.3.1 THE RANGE OF THE UNIVERSAL SERVICE PRODUCTS

Article 3 of European Directive 97/67/EC defines a minimum set of services that should be included in the US scope. This set is composed by:

- insured and registered mails;
- the clearance, sorting, transport and distribution of postal items up to two kilograms;
- the clearance, sorting, transport and distribution of postal packages up to 10 kilograms.

Member states are allowed a certain flexibility to denominate one or more services as part of the universal postal service. It has to be highlighted at the outset that, although the transposition of this article of the postal directive in national legal frameworks varies across countries, almost all European States have included in the universal service a number of services larger than the minimum set provided for by the European Postal Directive.

The table below shows, in the first column, the list of service that may be included in the universal service scope and, in the second column, the number of countries, out of 30 respondents, including each single service in the USO scope:

---

<sup>3</sup> Austria, Belgium, Bulgaria, Czech Republic, Croatia, Cyprus, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland and United Kingdom.

<sup>4</sup> The Spanish NRA has the intention to undertake and publish a study analyzing the current scope of the USO. Specifically, it is evaluating the following issues: if some services should be removed from the USO scope; if big clients and commercial clients, that actually are benefitting from discounts, should be withdrawn from USO scope; if profitable areas merit USO coverage.





...

**Table 1: Number of countries including services in the USO scope**

Service	# of Countries
Ordinary mail	27
Priority mail	26
Registered mail	30
Insured mail	30
Ordinary parcels	30
Bulk mail	17*
Bulk registered mail	4
Bulk parcels	11
Bulk advertisement	7
Newspaper, magazines, etc.	17**
Direct mail	12***
Other services	17

\* In Austria and Slovenia every mail is a priority mail because there is not difference by quality.

\*\*In Belgium the vast majority of newspapers and periodicals are excluded from the scope of the USO.

\*\*\* In Hungary Bulk mail and Direct mail may be either inside or outside the scope of universal service.

The table shows that ordinary and priority mail is included in the US scope in 27 and 26 countries respectively.<sup>5</sup> Moreover, all responding NRAs (30) indicated that single piece registered, insured mail and ordinary parcel (the most part of countries considers ordinary parcels up to 20 kg, only 11 countries consider parcels up to 10 kg<sup>6</sup>) are included in the USO scope, whereas bulk registered mail is included in the USO scope only in 4 countries. Bulk parcels is included in the USO scope of 11 countries, whilst bulk advertisement is included only in 7 countries.

Furthermore, it has to be highlighted that some countries (17) include in the USO scope other services, besides those shown in the table above, such as items for blind (Bulgaria, Denmark, France UK, Ireland, Poland, Romania, Malta, Slovenia and Slovakia), sending books abroad (Portugal, Ireland), fragile and

<sup>5</sup> List of countries including ordinary mail in the US: Belgium, Bulgaria, Czech Republic, Croatia, Cyprus, Denmark, Estonia, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, The Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland and United Kingdom.

List of countries including priority mail in the US: Austria, Belgium, Bulgaria, Czech Republic, Croatia, Cyprus, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden, Switzerland and United Kingdom.

<sup>6</sup> Austria, Croatia, Czech Republic, The Netherlands, Romania and Slovenia.

Belgium, Poland, Portugal, Serbia and Slovakia, for domestic and cross border parcels, except for inbound intra EU parcels, which is up to 20kg.



...

cumbersome parcels (Slovakia), insured parcel (Estonia, Belgium, Portugal, France and Romania), express delivery items (Germany), registered parcel (Slovenia, France and Belgium), judicial, administrative and legal offense-related correspondence and notifications of public authorities and advice of delivery (Serbia, Hungary, Italy, and Slovakia). In Portugal registered mail services used in the course of judicial or administrative procedures are included in the USO scope.

### 2.3.2 REGULATION OF PRICES

With respect to service affordability, article 12 of the Postal Directive establishes some principles to be followed in the definition of the tariff of each services included in the US area.

All NRAs (28), except Switzerland and Serbia, declared that prices of all or some universal services are regulated.<sup>7</sup>

The table below shows, for each service listed in the first column, the number of countries, among 30 respondents, that regulate the price of the corresponding service. From the comparison between the following table and the table 1 it emerges that in some countries the prices of some services included in the US scope are not regulated.

**Table2: Number of countries regulating prices of universal services**

Service	# of Countries
Ordinary mail	21*
Priority mail	24
Registered mail	23
Insured mail	23
Ordinary parcels	22
Bulk mail	13
Bulk registered mail	10
Bulk parcels	8

---

<sup>7</sup> In Republic of Serbia - prices UPS are not directly regulated, but the Law on Postal Services and Methodology for determining the price that is passed RATEL( Regulatory Agency for Electronic Communications and Postal Services) defines the framework for pricing UPS. Pursuant to Article 66 of the Law on Postal Services NRA has adopted Ordinance on the Methodology of the UPS price formation. Within the UPS revenues records, the internal accounting unit shall provide the accurate data on the revenues for single services from the UPS domain, and shall also ensure the clear distinction between the reserved and non-reserved postal services from the UPS domain. The UPS provider shall determine postages starting from the real expenses and respecting the principle that postage should be affordable to all users. The Government of the Republic of Serbia shall approve the Public Postal Operator Act determining the postages of the reserved postal services, based on price formation methodology. Public Postal Operator shall keep the separate accounts for Reserved and Unreserved postal services.



...

Bulk advertisement	5
Newspaper, magazines, etc.	8
Direct mail	9
Other services	8

\* In Austria, Slovenia and Ireland every mail is a priority mail because there is not difference by quality.

The methods used to regulate prices deeply differs among countries. For examples some countries use price cap (e.g. France, Ireland, Italy, Norway, Estonia, Belgium<sup>8</sup>, UK, Portugal<sup>9</sup> and Sweden only for priority mails), other use cost orientation (e.g. in Czech Republic,<sup>10</sup> Croatia and Portugal) and some other just verify if prices are in conformity with the general principles contained into the European Directive (e.g. in Spain and Austria), i.e. affordable, transparent, cost oriented and non- discriminatory.

### 2.3.3 DELIVERY FREQUENCY

With respect to delivery frequency, according to Article 3 of the Directive 97/67/EC, as amended by Directive 2008/6/EC of the European Parliament and of the council of 20 February 2008:

*“Member States shall take steps to ensure that the universal service is guaranteed not less than five working days a week, save in circumstances or geographical conditions deemed exceptional, and that it includes as a minimum:*

- *one clearance,*
- *one delivery to the home or premises of every natural or legal person or, by way of derogation, under conditions at the discretion of the national regulatory authority, one delivery to appropriate installations.*

*Any exception or derogation granted by a national regulatory authority in accordance with this paragraph must be communicated to the Commission and to all national regulatory authorities.”*

All responding NRAs implemented the Directive and impose the delivery 5 days a week, with some exceptions.

As previously highlighted in the “ERGP Report 2014 on the Quality of service and end-user satisfaction” there are countries in which the delivery obligation for the universal service is 6 days per week. More precisely, the following countries implemented 6 days/week in the frequency of delivery relating to the universal service, according to the last collected data:

<sup>8</sup> In Belgium, price cap only applies for single piece items (insured mail, registered mail, ordinary parcels, ordinary mail and priority mail). Other products are subject to ex-post regulation based on general tariff principles.

<sup>9</sup> In Portugal two baskets of services are defined: one basket comprises reserved services (registered mail service used in course of judicial or administrative procedures) and the other basket comprises the other services (correspondence, registered and insured mail, parcels and books and newspapers). Both baskets are subject to maximum annual increases in prices, in the period 2015 to 2017. The basket of the reserved services is subject to a maximum variation of CPI - 3,5%, per year. The basket of the other services is subject to a maximum variation of CPI + 1,6%, per year. In both cases, an inflation correction factor and a traffic correction factor are applicable, to take into account deviations from the initially expected behaviour of the inflation and of the traffic. Price cap do not apply to special tariffs.

<sup>10</sup> In Czech Republic, according to the postal law, prices of universal services must be cost-oriented. Cost-orientation and price affordability are verified by the NRA. If prices are found to be not affordable, the NRA sets the prices and issue price decision. So far prices have been considered affordable by the NRA, so it did not set them.



...

- Malta, Germany and Denmark;
- Norway (only for priority mail)
- The Netherlands: only for “mourning mail” and “medical mail”;
- UK: only for correspondence;
- Austria: only for CNP;
- Bulgaria: where the universal service provider is obliged to ensure, in Sofia, two deliveries per day, from Monday to Saturday<sup>11</sup>.
- France

As previously highlighted in the “*ERGP Report 2014 on the Quality of service and end-user satisfaction*”, according to Paragraph 3 of Article 3 of the Postal Directive, exceptions may be granted by a national regulatory authority in circumstances or geographical conditions deemed exceptional. For example, according to the last data gathered:

- in Romania delivery obligation is reduced to 2 working days a week for cases or geographical conditions deemed to be exceptional by NRA;
- in Slovenia, exceptions are foreseen only for 319 households, which have difficult access or where security and health of employees of universal service provider is endangered;
- in Croatia, delivery is not ensured 5 days a week for maximum 10% of total households;
- in Sweden 1100 households, that are primarily located in the mountains and the archipelagos, are exempted from 5 day deliver, due to geographical conditions;
- in Serbia, the USP is exempted from delivery 5 days a week in highland and in low density areas;
- in Bulgaria, there are some exceptions in settlements with difficult access, which are specified by the obliged postal operator in coordination with the mayors of the respective municipalities. The list including these settlements and the working days of delivery is approved by the Communications Regulation Commission;
- in UK, the USP can apply for derogation in small islands and other remote areas;
- in Slovakia, in some particular areas, delivery is ensured by:
  - delivery at least twice a week in the non-sequential days;
  - delivery to the delivery boxes;
  - taking items away from the post office;
  - other way what customer agreed with universal service provider in accordance to the postal conditions.

#### 2.3.4 MINIMUM NUMBER OF POSTAL OFFICES

---

<sup>11</sup> For the rest of the country, the universal service provider has to ensure one delivery per day, from Monday to Saturday, in geographical areas served by a sorting centre, and one delivery per day, from Monday to Friday, in geographical areas unserved by a sorting centre. Another special case is FYROM, where the universal service provider is obliged to ensure deliveries only for 3 days/week.



...

Article 3.2 of the Directive 2008/06/EC, states that “Member States shall take steps to ensure that the density of the points of contact and of the access points takes account of the needs of users.”

Some common criteria applied by European countries in order to define an adequate number of points of contact/postal establishments are:

- one postal establishment per number of inhabitants, which could depend on the size of the settlement. Also, differences between rural and urban areas are not an exception;
- maximum distance that one has to travel to the nearest postal establishment;
- minimum number of post offices, providing universal postal services or full range of postal services;
- percentage of population at a certain distance from the postal establishment.

In Germany the minimum number of postal offices is equal to 12,000 across the country and the distribution is based on the number of inhabitants, the distance from postal user and the nature of the area covered. In Netherland the minimum number of service points is equal to 2,000, at least 902 of which provide a full range of services. In Austria the minimum number of postal offices is 1,650 and a maximum distance to access to a postal service point is established. In Czech Republic there is a draft proposal of government ordinance, which are defining a minimum of post offices equal to 2,100 (ordinance is in process). In Croatia the minimum number of postal offices is 700. In Belgium the minimum number of postal office is 1300, at least one per municipality.<sup>12</sup> A minimum number of postal offices is not a legal requirement as a USO in UK, Ireland, Lithuania, Switzerland, Spain, Cyprus, Luxemburg and Sweden. The latter indicated that the Postal Services Act states that “the density of the points of contact and of the access points shall take account of the needs of users” and actually the density seems to correspond to the needs of the users. A minimum number of post access points (post boxes) is not required in 7 countries (Lithuania, Switzerland, Spain, Czech Republic, Luxemburg, Croatia, Poland and Sweden). In Portugal, density criteria for both post offices and other access points were defined on the 28<sup>th</sup> of august 2014 by a decision of the NRA and came into effect on October 1<sup>st</sup>, 2014. In France, the points of contact giving access to universal services, other than bulk mail, must allow at least 99% of the national population and at least 95% of the population of each department to be within 10 kilometers of a point of contact. Beside this, all municipalities with more than 10,000 inhabitants must have at least one contact point per 20 000 inhabitants.

### 2.3.5 THE FINANCING OF UNIVERSAL SERVICE

Regarding the financing mechanisms, according to article 7 of Postal Directive 97/67/EC, as amended by the Directive 2008/6/EC, “where a Member State determines that the universal service obligations, as

---

<sup>12</sup> The number of 1300 postal offices is an extra-requirement imposed by a dedicated SGEI “retail network”. The USO requires only at least one access point per municipality.



...

*provided for in this Directive, entail a net cost, calculated taking into account Annex I, and represent an unfair financial burden on the universal service provider(s), it may introduce:*

- (a) a mechanism to compensate the undertaking(s) concerned from public funds; or*
- (b) a mechanism for the sharing of the net cost of the universal service obligations between providers of services and/or users."*

Starting from the information provided by all responding NRAs (30), the table below shows, for each compensation method indicated in the first column, the number of countries whose national regulation foresees that method.

**Table 3: Number of countries whose legislation foresees a compensation method**

Compensation method	Method foreseen by national regulation - # of countries
Public fund	9
Sharing of net cost among providers of services	16*
Compensation not provided by law	3
USO financed by USP itself	2

\* In Croatia, Slovakia and Romania the USO net cost may be compensated by the contributions of providers of services and by state budget. In Romania, the net cost of USO may be also covered by financial contributions of consumers.

In particular, in Norway a stand-alone calculation is used to consider the costs to carry out the USO. Any surplus from the reserved area are deducted in order to get the net cost. The net cost is then covered through public contracts on non-profitable postal services. Compensation fund is not used. In Spain the NRA is on a process of analysing a proposal of a new methodology to calculate the net cost.

Even though regulation is in place, a compensation method is actually implemented only in Hungary (from 2012), Czech Republic (from 2013), Slovakia (from 2012), Estonia, Bulgaria and Italy, where USPs have applied for compensation of the net cost of the USO and the net cost of the USO was compensated.



...

The following table shows the compensation method effectively used in the above mentioned countries. More details on compensation method used in the different countries is contained in Annex 1.

**Table 4: Countries actually implementing a compensation method**

Compensation method	Countries where compensation method is applied
Public fund	Italy Bulgaria
Sharing of net cost among providers of services	Czech Republic** Estonia
Mixed - State budget and postal companies	Slovakia Hungary*

\* A method of calculation of net cost was not approved till now, but the USP received in advance 15 million EUR from state budget for the unfair burden of 2013 and 2014 (based on 2<sup>nd</sup> Article of 2012/21/EU Commission Decision).

\*\* The net cost of USP for the year 2013 was approved, but it was not compensated yet, because the NRA has to complete the collection of data from every postal service providers on the amount of revenues from postal services in 2013, in order to define the percentage shares of individual contributors to the compensation fund. Before 2013 postal services were not liberalized.

### 2.3.6 BARRIERS FOR COMPETITORS TO ENTER THE MARKET

The objective of the EU postal policy has always been that of accomplishing the Single Market for postal services and ensuring a high quality universal postal service to all European customers, both business and consumers. These objectives have been pursued by gradually opening up the sector to competition on the basis of the regulatory framework of the Postal Directives.

Competition in postal markets could be achieved by implementing access prices that provide efficient 'make or buy' signals to competitors. To this end, prices should be non-discriminatory and transparent. If these requirements are not verified by the NRAs, price regulation may become a barrier to entry for alternative operators that do not have the possibility to realize cost saving in some areas used to finance service provision in non-remunerative areas. It would be therefore advisable to ensure transparency and non-discrimination are constantly verified by the NRAs.

Some countries foresee in their legislation an obligation of access to the postal network of USP<sup>13</sup>.

<sup>13</sup> Germany, Spain, Romania, Slovenia, Estonia, Italy, Czech Republic, Luxemburg, Portugal, Bulgaria, Lithuania, Belgium, Sweden, Croatia, Slovakia, UK, Serbia (the Ordinance on the Way and Conditions of the Access to the Public Postal Operator's





### 3 THE VIEWS OF DIFFERENT STAKEHOLDERS ON THE USO

The objective of setting the US needs should be balanced between users' needs for postal services and the need for safeguarding the designated operators' financial ability to meet regulatory obligations so as not to interfere in the market more than necessary. As mentioned in Article 5.1 of The Postal Services Directive "each Member State shall take steps to ensure that Universal Service meets the following requirements [...]. It shall evolve in response to the technical economic and social environment and to the needs of users".

In this section the views of different stakeholders are presented. These views were primarily expressed in the public Consultation of ERGPs' "Discussion paper on the implementation of Universal Service in the postal sector and the effects of recent changes in some countries on the scope of the USO" and at workshop held in Bucharest 19th November 2014<sup>14</sup>. Information provided by NRAs and presented in the Discussion paper on the implementation of Universal Service in the postal sector and effects of recent changes in some countries on the scope of USO has been added when appropriate.

As the views expressed vary significantly among the market players, for the benefit of completeness we have sought to highlight the range of views and to identify the nature of the organisations expressing these views as following: *Universal service providers (USP) (including associations representing their interests); competing postal service providers (including associations representing their interests); providers (USPs and/or competing postal service providers and/or associations representing the interests of providers); users' representatives; NRAs, academics, consultants and trade unions.*

The aim is to ensure that a wide range of positions is presented but the balance of the discussion is presented in order that we can seek to identify key issues and potential solutions.

#### 3.1.1 SCOPE OF USO

According to the opinion of some NRAs all postal users (sending or receiving mail) continue to benefit from the range of services offered through the USO, focussing as they do on meeting the needs of the citizenship and those of economic and social activities. *Different NRAs* demonstrated the differences in expectation and aims of the universal service (US) framework between member states – in some it is intended to protect consumers, as well as small offices or home offices, whereas in others the intended beneficiaries also include consolidators, infrastructure (end-to-end) competitors and firms which need to send bulk mail.

While *users' representatives* argued that the USO should cover all the categories of users as well as the entire national territory, some *providers* suggest that USO should be limited to individual consumers regarded as natural persons and small and home offices, as opposed to business customers who often

---

Postal Network will entry into force as of 2016), Cyprus (the relevant order for providing access is under public consultation) and The Netherlands. The latter is preparing some measures to ensure access to the postal network.

<sup>14</sup> The submissions made in the public consultation are published by ERGP and available *online* at: [http://ec.europa.eu/growth/sectors/postal-services/ergp/index\\_en.htm](http://ec.europa.eu/growth/sectors/postal-services/ergp/index_en.htm).

The participants in the workshop are listed in Annex 3





...

have different needs and requirements. In such cases the *providers* argued that small offices and home offices may be considered as business customers only if their volume of trade exceeds a certain amount of letters per day. Other *providers'* views stressed the idea that entities in the sector of public finances for which price or terms of service are not individually negotiated should also be targeted by the USO.

Some *providers* are of the opinion that natural persons in rural areas and especially disabled end-users, whether they live in rural or urban areas, are the most vulnerable persons as they cannot benefit from the same quality of services as the urban users, for example in commercial conditions. For those users unable to benefit from postal services provided at post offices, for example due to mobility issues or disabilities, the USP could provide these services to their homes/premises. The idea that the USO should be limited to single piece items encompassing all areas of the country has been underscored by other *providers*.

The view of several *providers* is that EU should consider to move away from the current set of rules, by reducing or at least re-evaluating the USO and allowing Member States and regulators to adapt their regulatory framework to the national specificities because the current level of obligations undermines the financial sustainability of the US particularly where the compensation, if any, is not proportionate to the burden put on the USPs.

Even though there are suggestions for removing the USO, only *five NRAs* declared as responses to questionnaire on which was drafted the Discussion Paper there are services currently offered in their postal markets, outside the USO scope, which are able to avoid social exclusion of a majority of the population. *A trade union* is rejecting any notion of withdrawing the USO and any form of competition on the basis of the social deterioration. *The Union* considers the employment a major factor and that workers contribute directly and indirectly to the development of the postal sector. They argue that the enormous social and economic value derived from the USO means that the costs of maintaining the current minimum scope of the US are justified.

*Competing postal service providers* have mentioned that the scope of USO should encompass postal services where there is not sufficient offers and competition among service providers. The USO should thus safeguard services to user groups or in segments where there is an element of market failure.

Furthermore, according to *competing postal service providers*, when assessing the scope of the USO, it is necessary to consider more than cost, specifically such judgement should take account of such factors as the member states society's needs and the promotion of competition to the extent that this would benefit society. While accepting that the current scope of the USO could lead to high costs to the USP alone they also may have compensating benefits for the USP. *Competing postal service providers'* also noted that in considering whether the USO costs were sustainable NRAs or other parties should consider whether the services were being delivered efficiently as it is not necessarily the case the USO imposition is not sustainable by an efficient operator.



...

Notwithstanding the decline in letter volumes, *providers* highlighted that the e-commerce market is gathering pace resulting in a highly competitive delivery market with new service providers specializing in e-logistics, parcel and express companies and new worldwide active web-sites and market places. They also showed they are strongly trying to benefit from the e-commerce opportunity. According to their views the cross-border services should not be subject to USO as these services would most likely have a negative effect on competition.

Also, several *competing postal service providers* suggest excluding parcels delivery completely from the USO in view of the development of competition because the standards for these services are at very reasonable prices. They suggest that the USO should be limited to letters only or, at least, there should not be scope for Member states to increase the weight limit of parcels to 20 kg. In the view of the proponents of this position the USO should only cover the minimum needs of population, not those which are naturally served by the market and this is unlikely to require obligations for service above 10 kg.

Also one *USP* expresses doubts about the regulation of the parcel delivery market and considers it to be highly competitive and already enough regulated in the current Directive. As this is the case, any further regulatory steps could, according to the *USP*, lead to uncertainty.

### 3.1.2 DELIVERY FREQUENCY AND QUALITY STANDARDS

As regards delivery frequency, even though a number of *providers* questions five day delivery, there were alternative views expressed for instance by a *representative of users* in rural areas and by a *trade union*. The first-mentioned claims that the USP cannot be allowed to make changes in sparsely settled areas. If costs have to be cut, it is suggested that service levels in metropolitan areas are reduced as the residents there are less vulnerable due to better access to alternative solutions. The latter states that no reduction in the minimum scope should be made, that USPs across Europe should be required to provide five day services, and, at the same time, reasonable prices must remain a core objective.

One *USP* suggests that a Directive should guarantee for everybody to be physically connected without specifying delivery frequency etc. The specifics should be decided on a national level depending on domestic market needs and financing possibilities. Ultimately EU regulation could be restricted to the principle of accessibility, affordability and quality without details of implementation. Another *USP* claimed that daily delivery of mail is of less importance nowadays and the need for and the nature of regulation concerning quality of service should be reviewed due to migration of demand from priority mail to slower categories of mail.

Regarding the quality standards it was suggested by a *provider of courier services* these should be stricter, allowing fewer or no exceptions for rural areas. Single piece basic postal delivery and collection in all areas (urban and rural) need not exceed the frequency of twice a week with D+3 in the range of one clearance from letter boxes and one delivery for cost-efficiency reasons in the context of falling demand



...

for universal services. Services of higher quality would be charged additionally and would not be considered as part of USO. Single piece collection boxes could exist at all community box sites.

Generally from the *users' representatives'* point of view if there will be reduced delivery frequency this reduction should be matched with greater innovation in terms of the delivery options and by extending the number of collection points to include longer opening hours and more convenient locations for the access points of USPs. Service quality and associated measurement takes on new dimension as user demand for mail services shift from primarily first class mail to slower categories of letter mail. Presently regulatory demands for quality of service are typically based on speed of delivery using end-to-end measurement – weather this is cross border or at domestic level. At EU level a set of D+3 service quality is laid down while domestic service levels are regulated on a national basis. Migration of user demand from priority mail is considered by many respondents a needed adjustment of current provisions as long as the maintenance of priority items requires cost-intensive logistics, especially in case of parcels' delivery.

Anyway, with some exceptions the majority of respondent *providers* urge that the minimum level of the delivery frequency obligation should be set considering the peculiar characteristics of each country or at least exemptions at national level should be allowed, depending on the specific market conditions (e.g. low volumes per capita or high rates of volume decrease). Based on the geographical variations in rural and urban areas in each country and on users' needs, the regulators could set different obligation of delivery of services. But, in order to be successful, the ability to define precisely these areas in order to ensure all users receive the postal services regardless of location in a way that best meets their needs while maintaining a sustainable US, is required. As mentioned by *providers*, NRAs need to obtain a clear understanding of the core needs of users including the growing and changing needs of e-commerce merchants and consumers as well as marketing and transactional needs. In a decision whether to reduce delivery frequency, more research would need to be done across European states to assess the impact of this, given the substantial variations that exist between EU member states.

Taking into account that the actual delivery obligations are seen as outdated by many *providers*, an appropriate option for the European law-makers to be considered is to provide for a set of obligations that only refers to affordability and ubiquity of the universal products “to adapt parameters such as service quality (or related delivery frequency) to the needs of users” as WIK identified in the report Main developments in the Postal Sector (2010-2013). The meaning of the affordability requirement of tariffs appears unclear and some *USPs* argue for a clearer definition of this.

Furthermore, regarding the uniformity of quality of services it is claimed by a *user's representative* that it is fair to require the same price for similar quality of services, but this is not the case in the context of the regional differences. So, by establishing more parameters of quality of services throughout the national territory will be able to reflect better proportionality between the characteristics of services and their tariffs.



...

In order to meet appropriate standards of quality for effective accessibility, a key aspect is considered to be the retention of an adequate density of access points. *Providers* mentioned delivery to community boxes as a possible mean to reduce cost for mail delivery, with an exception for users with special needs who cannot physically access the community box without assistance.

As it was reported through the Discussion Paper, reduction of the range of services, postal offices, terms and conditions and quality of delivery service are likely to be more directly related to the efforts to balance both sustainability of US provision (by reducing the cost of the USO, as a response to the challenges raised by reduced volume) and the needs of users.

Generally, the same approach as for the range of products that should be included in the universal service was suggested by *providers* for instance regarding the flexibility of member states to establish their own quality standards. Especially when it comes to delivery frequency, member states flexibility should be allowed and applied depending on the specificity of infrastructure in that country. A *competing postal service provider* suggested that the law only set the maximum number of deliveries per week, in order to give the operators the possibility to adapt the universal service's performance to the local digital development. A *user representative* also proposed to set as quality standards the transit times needed by customers for a basic mail service rather than in terms of delivery/collection frequencies.

### 3.1.3 PRICE REGULATION

In terms of tariffs, the cost orientation principle is still considered by *competing postal service providers* as being a solution in case of market failure because the consumers must be protected by tariff regulation and on the other hand it must not be allowed to the USP to generate excessive profit. *One of them* mentioned that in order to enable competitors in the letter market to establish a nation-wide delivery network the providers should have access to the USP's network at least for a period of transition, the prices for this access being regulated at a wholesale level, as is available in some member states.

In segments and areas where there is a higher degree of competition the ex-post price regulation seems to be the solution considered by *a USP* as being the most adequate and suitable.

It is claimed by *competing postal service providers* that prices' affordability and VAT exemption are able to create barriers to market entry and could lead to market distortions and *NRAs* recognize the importance of analysing this issue.

### 3.1.4 FLEXIBILITY

#### *The need for flexibility*

The most common opinion of the respondents whether they were *providers*, *NRAs* or *users representatives* regarding the elements included in the USO is that the European regulatory framework should set a minimum range of services included in the US in order to ensure a homogenous level of implementation. Each Member State should be allowed to set up the area of USO following national



...

public consultations and market researches, taking into account market and users' trends with declining letter mail volumes and changing communication behaviour. The possibility of member states to apply exemptions to some obligations at a national level must be considered. As noted earlier *competing postal service providers* have also mentioned the alternative to establish by law not the minimum but maximum number of deliveries per week in order to give operators the possibility to adapt to local conditions.

*Providers* claim that the common scope should be flexible enough to enable relaxation on the national level taking into account potential local specificity. *A USP* urges the Commission and ERGP to clearly signal that adaptation to national circumstances is acceptable under the current regulatory framework.

As mentioned above there was almost a general consensus among *respondents* to the consultation that regardless of the determination of a common European minimum scope, a "one-size-fits all and always will" solution is considered unlikely to adequately respond to the needs of each member state with such diverging conditions. The reason behind this is twofold: while stakeholders such as *USPs* have mentioned the necessity to adapt USO to economic realities with the aim to safeguard long term sustainability, at the same time most *providers* have expressed the need to adapt to changing needs of the users and consequently safeguard the services provided are relevant to the users.

As for the scope of the USO, for Europe and for each individual State, *a competing postal service provider* suggested the scope to be revised periodically, every five years, or sooner, if market conditions require so, in order to ensure that changes in society's needs, habits, business dealings and level of competition are reflected in the scope of the USO and the designation period must coincide with the periodic review of the scope of the USO.

Even though it appears to be almost a consensus *among respondents* to the consultation regarding the general need for flexibility to adapt to national/local conditions and to changes in needs of the users over time different views are expressed as regards whether the present Directive already provides for sufficient flexibility or whether it is necessary to amend it to provide for the desirable flexibility.

#### *The need to amend the Directive*

Some *providers* are of the opinion that the flexibility provided for in the present Directive is adequate as it allows for enough flexibility at the national level. It has also been mentioned by some *USPs* that the scope of USO is completely adequate in terms of covered services while the service requirements such as density of access points, delivery and collection frequencies and quality of service targets needs to be reassessed in order to maintain a balance between demand, costs and benefits, allowing also regulatory reflection of characteristics of individual national postal markets and associated evolution of users' needs.

Several *providers* underlined that the current framework provides enough room for flexibility on the national level. They argued there was evidence from differences in the range of products included in



...

the US across the EU that the current USO was appropriate. This degree of flexibility is considered by *one USP* as being appropriate in order to allow better reflecting local market realities, stimulating growth and assuring the sustainability of the US by letting the USPs gradually reduce the costs of the USO attending to national specificities. In line with this is the possibility “to retain the essential objectives of universal service while allowing Member States flexibility in determining how to meet these objectives” that was considered by WIK in their study<sup>15</sup> as an option to meet the challenges related to volume decline.

USPs have also expressed views such as with a tariff regulation already in place and clear principles of cost orientation, transparency and non-discriminatory prices, any further regulatory step is seen as leading to legal uncertainty hampering future investment and innovation. *One USP* claims that the call for a new Directive is premature and risks hampering Member States policy tool to adapt their regulatory framework to national market developments.

A *trade union* mentioned that in many European countries USPs rely on the revenues from more profitable urban areas to meet the higher unit costs of delivery in more remote areas. *They trade union* argued that the legal framework for postal services in Europe should prioritise the ongoing financial sustainability of the USO over the pursuit of unregulated competition. *It also* argued that the rapid growth of unfettered competition in highly profitable segments of the market could undermine the fundamental economics and the financial sustainability of the US if the USP was unable to charge a cost reflective price for US services used by the competitor.

Based on the UK postal market situation, a *trade union* cautioned that a rapid rise in unregulated “cherry picking” by competitors in the parcel market will place increasing pressure on the sustainability of the US, including the delivery of parcels to remote areas at a uniform tariff. Accordingly, any change, if the case, to the Postal Services Directive should according to the *union* include measures to address this threat in the interests of securing the USP and protecting customers.

On the other hand a *USP* has expressed the view that a deep revision of the current USO scope on the European level looks necessary, providing for a set of obligations that only refers to affordability and ubiquity. It has also been underlined by a *USP* that the USO needs to be dynamically interpreted and implemented: the objective should be a future USO for each Member State specifically to be responsive to and proportionate with the needs of the users (senders and addressees). It has also been mentioned that any potential change to the Directive must put sustainability of the USO as a primary objective.

A significant number of *providers* are questioning five day delivery as a general requirement indicating the need to relax the current delivery frequencies. As five day delivery is explicitly indicated a basic requirement in the present Directive these stakeholders actually call for an amendment of the Directive. While a *trade union* underlined that the next day delivery standard is important and should be maintained for the benefit of users who rely on a high quality of US.

---

<sup>15</sup> Main developments in the Postal Sector (2010-2013)





...

However it appears that *providers* generally are of the opinion that it is time to amend the Directive to provide for more flexibility with the aim to adapt USO to national conditions and to changes over time or at least consider whether it is necessary in a forward looking perspective. This includes the scope of USO as well as the service requirements. As presented in previous sections there is a range of alternatives including extremes at both ends. The most appropriate solution seen by several *USPs* but also by a *users' representative* is to apply the exemptions reflected in the current Directive to some obligations at a national level. A steady shift would minimize the effects on society of a drastic reduction of such a labour intensive and well established service as postal service is today. The Postal Directive defines a “minimum”, respecting heterogeneity, provides for exemptions and actually requires Member States to take steps to ensure that universal service provisions evolve in response to the technical, economic and social environment and the needs of users. Nevertheless, also many *providers* consider that the current framework provides sufficient flexibility at least in the actual economic context, do not disregard the possibility of a future revision of it, particularly in respect to the range of universal services, if the economic, social and market realities “require” that.

Nevertheless there is consensus that, taking into account specific market conditions and consumer's needs and the possibility of *USPs* to gradually reduce the net costs of the USO, whether the flexibility of regulation is ensured through the current framework or based on a future one, the most appropriate level of regulation could be accomplished only by allowing the Member States enough flexibility to provide regulations.

### 3.1.5 MARKET BARRIERS AND VAT EXEMPTION

Modification to the VAT exemption was considered important by many *competing postal service providers* who identified concerns that the current exemption leads to the *USP* competitive advantage to the detriment of competition in the postal market. They also considered imperative that Second class services as well as the services that are provided under special agreements/negotiations and/or discounts (such as bulk mail) should not be included in the USO and not included in the VAT exemption.

It was noted also by some *competing postal service providers* that this exemption is a clear advantage for *USPs* especially in the case of public procurement procedures where they are able to offer services without VAT.

Conversely, some *USPs and a trade union* consider that the VAT exemption does not inappropriately distort competition or create a barrier to new entrants. Rather, it is recognised the important obligation on those providers to deliver US. They believe that the exemption of US from VAT makes no change as the *USPs* are not able to compensate the disadvantages resulting from the duty to provide US although it plays an irreplaceable role in the affordability of prices of US. *USPs* must bear costs that can be avoided by the competitors and the VAT only partially compensates for this.



...

It was underscored by a *USP* that while the VAT exemption could be considered, from some perspectives, at most as an advantage for the universal service provision in the case of residential users or a business one that cannot recover VAT (e.g. administration, banking, charity organisation), it presents a disadvantage if the customer is a business able to recover the VAT. In this respect there were some proposals *from USPs* setting the VAT on services provided under a USO at zero rate instead of current exemption. This measure would permit USP to deduct input VAT and, as a result, costs-cutting which will create the opportunity for designated operator to provide services at lower rates. An alternative presented by *competing postal service providers* is the introduction of a single standard reduced rate for all operators and all services.

### 3.1.6 FINANCING THE USO

The burden of financing the USO is an important issue that creates many concerns for market operators. The need to take into account efficiency when the cost of the USO is estimated has been one of the main points made in the public consultation. It was stressed by *competing postal service providers* that determination of the cost of the USO should be based on the cost of an efficient operator. Otherwise the other operators will be subsidizing the USP through the USO compensation fund in the event the USP operator is inefficient.

Opinions clearly varies with one *USP* arguing that Universal Service should not rely on subsidies from industry players/taxpayers, but it should be self - financed by setting prices covering costs or through the USP's own resources. It was pointed out by a *competing postal service provider* that it is necessary to regulate the sustainability of US through the USP's own resources and using the compensation fund just as an exception. If it is mandatory to constitute a compensation fund, the EU legislation should according to a *competing postal service provider* state the categories of beneficiaries and also the sources of funding that will contribute to the fund. It is also important this made in a transparent way and that the authority who will manage the fund is independent.

It was argued by a *variety of stakeholders*, that the requirement to have a compensation fund financed by postal operators does not correspond to the real capacity of the operators including the USP and in general to the situation of the postal market. This model can be applied to sectors with above average profits rather than to a sector with continually decreasing revenues where many operators report losses or have minimum profits. In the postal market a compensation fund could result in a reduction of necessary investments and an overall economic destabilization of the sector. It could be questioned to demand that postal service providers, including the USP, should bear the burden arising from the requirements to provide universal service in a scope exceeding what would be provided under market conditions. As stated by *postal service providers* if excessive costs arise from the US - after securing the efficient provision of these services - these costs should be covered by the state. Considering the social dimension of universal service and its significance cohesion, the obligation to finance universal service should according to *USPs and competing service providers* be undertaken by the state.





...

Another argument presented by a *competing postal service provider* regarding the financing of the USO is that the compensation fund is not really an efficient financing mechanism. It is a very cumbersome system to manage, it requires a significant administration process and is based on the assumption that other operators should co-finance the insufficiencies of the designated operator or USP without any direct relationship between these inefficiencies and the impact of other operators on the cost of the USP. The compensation fund mechanism assumes that other operators somehow benefit from infrastructure maintained by the incumbent which is not the case for many postal operators.

### 3.1.7 FUTURE REGULATION

One idea put on the table by a *competing postal service provider*, is to give all qualified postal operators the opportunity to apply for access to the “universal” network and be able to provide their customers with both products covered by the USO and products outside the scope of USO. A large “universal” network on which postal operators can circulate their products would ensure an efficient network, more competition and therefore more choice for the final users, lower costs and greater protection of the environment.

Furthermore, additional ideas put forward for consideration by *competing postal service providers* were: (i) the USP designation to be carried out only following a public auction/tender procedure and if alternative providers are not given the chance to express their interest to provide the USO or part of it or only in some areas of the territory, they should not contribute to any net cost of the USO, (ii) elimination of the compensation fund all together and revert to a mechanism of direct funding either through separate government funding or simply by making the overall revenues generated for the tendered services cover the cost.

A *USP* claims if prices cannot be set appropriately due to regulatory constraints, existing US standards should first be reviewed and adjusted before considering external funding (compensation fund) to rebalance costs and benefits. Existing US standards may exceed actual user needs, causing a misallocation of resources with no benefit to anyone and high net costs. Following the principle of “who order pays”, any extra money should be borne by the government (state budget). Another *USP* put forward that it is not fair to demand that postal operators, including the USP, bear the burden arising from a requirement to provide services exceeding the scope that could be provided under current market conditions why US should be financed by the state.

Regarding price regulation several arguments were made by *competing postal service providers*. It was argued that price regulation can prove to be a significant barrier to entry for alternative operators if is not used in a correct and prudent way. Also it was stated that tariff and access regulation could help to avoid market distortion by keeping US prices geared to costs, but more consistency across Member States in methodology and calculation is needed (including standardized VAT regimes for cross border services). Protecting competition through the USO (i.e. safeguarding that prices are cost oriented, non-discriminating and transparent protect customers and competitors) is crucial for the development of the postal sector in that country.



...

Another argument put forward by *competing postal service providers* was that tariff regulation does not lead to disadvantages in the area where competition has developed but it may lead to distortion of competition if the provider of the USO is allowed to generate high profits in the area of the USO which may be used to subsidize other activities of the provider in areas of competition (for example business parcels).

In addition it was pointed out by *competing postal service providers* that if there is no competition in a segment of the market, price regulation may be necessary in order to protect consumers and to enforce the requirements of affordable price. Where competition services are available to the general public price regulation may become unnecessary provided that consumers have an actual choice of service providers.

There were also opinions expressed by *competing postal service providers* that with respect to regulated postal tariffs, tariffs must be cost oriented and the tariff regulation must substitute for competition. If, they argued, tariffs are set above or below reasonable market levels, such tariffs will lead to distortion of competition. If postal tariffs are not cost oriented and allow the USO provider to generate excessive profits competition will generally be distorted in two ways (i) the USO provider could charge an excessively high price for its deliveries where there is lack of competition (ii) in addition it is expected that the USO provider will make use of excessive profits in order to offer lower prices in areas where its competitors are active thus defending its dominant position in such areas. Finally, it was argued that when the market is successfully delivering the universal service there is no need for regulatory interventions. This intervention should be the exception and only where there is a proven failure of the market to supply.



...

## 4 INITIATIVES OUTSIDE EUROPE

The views of the stakeholders that are summarised in previous sections implies the need to take measures to tackle the problems now arising. Irrespective whether this could be done within the present European regulatory framework or not, initiatives and measures taken to tackle similar problems in countries outside Europe could add value to the discussion. In Australia, New Zealand, Canada and USA measures have been taken to limit the negative financial impact caused by declining letter mail volumes in order to improve long term sustainability of USO. The decline implies not only financial problems, at the same time it indicates changing users' needs or preferences and these needs have to be met by the universal services. Some studies indicate that the present services exceed the receivers' service requirements in many respects and that about 20 to 30 percent of the operational cost could be eliminated if the service level matches the average receiver requirements.<sup>16</sup>

In this section action plans from the four countries or rather USPs mentioned above are presented in brief. The plans are based on a mixture of measures. The measures generally refer to pricing, services and operation model. The ambition is not to be exhaustive and the presentation focuses the USO but to the extent possible also initiatives regarding prices and operating models are mentioned.

### 4.1.1 AUSTRALIAN EXAMPLE<sup>17</sup>

Australia Post has experienced a 25 % decline in letter volumes over five years. Australia Post has been supplying a monopoly letter service but structural changes in the postal market are threatening the financial viability of Australia Post itself.

However, Australia Post argues that the decline in letter volumes is signalling that the services that Australia Post is obligated to provide may be out of step with community demands and as Australia Post has been self-funding, the impact of a loss will be borne by the Government as the sole shareholder. Australia Post conducted an internal review of its letters business, with a particular focus on the challenges arising from the decline in its letter volumes and possible options for reform and presented before the Government a proposal how the fundamental problems have to be addressed. On its turn the Government has engaged the Boston Consulting Group (BCG) to validate data and make an assessment on the operator's proposal.

In its report BCG did not provide exact conclusions about changes that should be made in the scope of US or in the USO. The aim of the document was to validate data and conclusions in the internal review conducted by the Australian post and to give a proposal for possible options that could be considered trying to find a solution for addressing challenges faced by Australian post. Main conclusion of the internal review is that - there is an urgent need for reform of the letters business. The following 4

---

<sup>16</sup> The Postman Always Brings Twice, The Boston Consulting Group, March 2011, available *online* at: <https://www.bcg.com/documents/file133491.pdf>

<sup>17</sup> Australian and International Postal Services Overview Background Report, The Boston Consulting Group, June 2014, available *online* at: [http://www.communications.gov.au/data/assets/pdf\\_file/0020/235550/BCG\\_Postal\\_Services\\_Background\\_Report.pdf](http://www.communications.gov.au/data/assets/pdf_file/0020/235550/BCG_Postal_Services_Background_Report.pdf)



...

strategic assumptions lead to the final conclusion: letter volumes will decline by 11.4% per annum to Financial Year 19/20;; cost base is fixed, driven by service obligations; letters losses will soon overwhelm parcels profits; service levels exceed demands of most customers.

The BCG report was intended to be a starting point for launching an informed and constructive debate in the community about future postal reforms.

As a whole the assessment of BCG was that the 4 strategic assumptions of Australia Post are valid and reform of letter business is urgently needed. In relation with the fact that the problem with falling letter volumes is common to postal operators around the world BCG make a proposal of possible options that could be considered addressing the challenges faced by Australia Post. Namely a mix of three types/categories levers: price, including the price differential between products; service, including speed, frequency and delivery location; operating model, including processing model, acceptance model, labor model and indirect costs could be drawn. The levers could be used to different extents in different combinations depending on the circumstances. The Australian proposal was based on responses and existing practices of following postal operators: PostNL - primarily operating model changes; Post Danmark – primarily price and operating model; Royal Mail – primarily price and operating model; Canada Post – primarily price and service and New Zealand Post – primarily price and service.

The Australian Government has released the BCG paper to promote informed and constructive debate in the community.

In the meantime Australia post has undertaken different initiatives such as: to offset problems in its letter business through growth in profits in other parts of its business; to realize a network optimization program “Future Ready” that will continue to provide cost savings; to adopt Accessibility Action Plan (2012-2015) concerning people with disability and their careers. It has introduced a slower class of service for business customers in addition to its priority service (D+1 within metropolitan areas of capital cities or within the same city or town; D+2 between metropolitan areas of capital cities and country locations and between country locations).

The plan is focused on improving accessibility for three core stakeholder groups: community, customers, and employees.

The options proposed by BCG are summarised in a table in Annex 2

#### 4.1.2 CANADIAN EXAMPLE <sup>18</sup>

The document “Canada Post’s Five- point action plan” is not a study but a plan implemented by Canada Post to respond on the Canadians’ emerging and future needs on postal services and to remain its financial self-sufficiency.

---

<sup>18</sup> Information available online at: [http://www.retailcouncil.org/sites/default/files/2013-12-11-canada-post-action-plan\\_EN.pdf](http://www.retailcouncil.org/sites/default/files/2013-12-11-canada-post-action-plan_EN.pdf)



...

Canada Post is government-owned enterprise with a monopoly on letters under 500g. According to data included into report “Australian and International Postal Services Overview”, letter volumes in Canada have fallen 20% since their peak in 2007, with Canada Post recording underlying financial losses in recent years.

On the one hand the growth of digital communications and online trade has changed significantly the needs for postal services in Canada. As more people began to communicate and manage their household bills online, letter volumes declined sharply. Yet as more people shopped online, parcel volumes shot up. This dramatic shift is creating a pressing need to manage a greater number of parcels and less mail with more valuable items.

On the other hand, the postal network of Canada Post remains a key factor for development of trade and commerce. Its long-term viability is essential for the small businesses and rural and northern communities.

The action plan of Canada post does not require changes in the current legal framework or within the scope of US. It consists of 5 main initiatives that represent a combination of changes in three types/categories levers (price, service and operating model). The Canadian example is included in the report “Australian and International Postal Services Overview” with a short title Canada “Post – primarily price and service”.

In its Action plan Canada post provides detailed information about the actions/changes that will be done, how they will reflect customers and what will be the impact on the company. In order to be sure how customers will react on future changes in the provision of postal services Canada post conducted a five-month conversation with Canadians before launching the Action plan. During the consultation Canadians has expressed their support for: *transition to full use of Community mailboxes; further expanding franchised postal outlets; preserving a postal presence in rural Canada as a vital connection with the rest of the country*. Canadians would accept, within reason, higher stamp prices, given that most households mail letters infrequently.

During the consultations with Canadians it became clear that residential customers could support: reducing home mail delivery to less than 5 days a week or relaxing standards (i.e. speed of delivery). On the other hand small businesses did not support making changes not in daily or in timely delivery.

On the basis of the report’s view that small business remains a critical economic engine of Canada, for now Canada post will maintain daily delivery of letter mail and parcels as well as the existing performance standards. However the operator will monitor volumes and uses of mail in order to find at a later stage an appropriate time for changes in frequency or speed of delivery.

The initiatives in Canada are summarised in a table in Annex 2.



...

#### 4.1.3 NEW ZEALAND EXAMPLE<sup>19</sup>

Like most USPs around the world NZ Post has for several years faced a decline in the volume of full rate letters and packets. An estimate for 2012-2020 indicated that the decline in full rate letters will continue at 7 % per year while the decline in bulk letters was estimated to 3 % per year. Some country specific factors heightened the risk of this decline, such as the fact that the company does not receive subsidies for the USO and that the company is expected to be as profitable and efficient as comparable private companies. NZ Post reacted by seeking both to increase revenues and to lower its costs. In less than two years the price for first class letters rose by 40 %. Other measures were to cut the number of mail processing centres. In NZ the USO does not set any expectations regarding delivery timeframes. But the USO provided little scope for NZ Post to reduce its retail network costs and by requiring 6 day delivery to 95% of the delivery points, with a limit on the proportion that could be communal.

It should be mentioned that unlike many countries New Zealand does not set US requirements through legislation or regulation, instead deeds are negotiated with relevant operators.

The final outcome was that alternate day delivery would be legalised in urban and provincial areas but not in rural areas. On the other hand NZ post would be able to reduce any six day delivery services in rural areas to five days a week. Furthermore NZ Post was allowed to count self-service kiosks as points of presence. NZ Post was also allowed to raise the proportion of delivery points that are served through communal letter-boxes but it must also raise the minimum number of delivery points.

NZ post proposed 6 day delivery to 95 % of addresses, 5 day delivery to 99.8% of addresses and 1 to 4 day delivery to remaining 0.12 % should be replaced by a requirement for not less than 3 day delivery to 98.88% of addresses and 1 day delivery to remaining 0.12 % of delivery points.

The Ministry considered the proposal from NZ Post and in particular the proposal to reduce the delivery frequency to three days per week. More than 1200 submissions were received when the proposal was presented for public consultation. Generally alternative postal operators and urban postal users were unconcerned about the possibility of deliveries three days a week. The latter appeared to consider they had viable or even superior alternatives available (broadband, mobile, courier services etc.). Rural users on the other hand expressed significant concern. Among other things a switch to three day delivery would affect not just letters but also newspapers and express delivery packages as these services were provided by one single delivery network that was established and primarily funded by NZ Post. The isolation of rural people compared to urban people given the lack of viable substitutes such as public transport, news agents and functional internet was also stressed. These concerns were highest amongst the elderly, the disabled and those who professed not to be computer-literate. Three day delivery of mail would add on to this isolation. Rural businesses also expressed worries. Among other things self-employed persons stressed the need for 24 hour delivery of parts and farmers stressed the difficulties that would occur when awaiting a spare machine part..

---

<sup>19</sup> Information available online at: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2458007](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2458007)



...

The initiatives in New Zealand are summarised in a table in Annex 2.

#### 4.1.4 THE USA EXAMPLE<sup>20</sup>

Similar to most western countries United States Postal Service has faced significant mail volume decline; approximately 25 % from 2007 to 2012. Revenues down significantly and increasing net losses. The decrease in profit margins is driven by loss of first-class mail. Despite operational improvements which have generated significant cost savings the financial position had become untenable. Urgent action to ensure near-term continuation of communication and delivery as well as long-term self – sufficiency was required. The five year business plan presented in April 2013 included proposals for further reductions in costs.

Based on the information available it is not possible to describe what studies or other instruments that were used by U.S. Postal Service as a basis for its proposal. It is mentioned that “according to numerous polls” the proposal for a new delivery schedule is widely supported by the American public.

Different measures should be taken to reduce costs, but according to U.S. Postal Service it is not possible for the company to meet significant cost reduction goals without changing its delivery schedule. It was underlined by the Board of Governors that that any rational analysis of U.S. Service’s current financial condition and business options leads to this conclusion. The proposal was to implement a new national delivery schedule for mail and packages. Saturday package delivery should continue as it is a competitive advantage. Mail delivery on Saturday – the lowest volume day - should however be abolished, consequently six day delivery should be reduced to five day delivery. Services to PO boxes should not be affected and Post Offices with Saturday hours should remain open.

Congress prohibited the implementation of the proposed new national delivery schedule for mail and packages, thus leaving the U.S. Postal Service with no choice but to delay the implementation at this time.

The initiatives in USA are summarised in a table in Annex 2

#### 4.1.5 INITIATIVES OUTSIDE EUROPE – CONCLUSIONS

The examples above represent countries with different conditions as regards for instance geography, demography and the principles and formalities for the regulation of the USO. The scope of USO in the different countries is likely to be quite affected by tradition as is the case also in the European countries. The initiatives in the four countries cover pricing, services and operating models. In at least two of the countries prices have been raised significantly why there is probably not much further room for using pricing as a lever in these countries. When it comes to the operating models it appears still to be some room for further optimization and adaptation to the declining letter mail volumes. As a

---

<sup>20</sup> Information available *online* at: <http://about.usps.com/strategic-planning/five-year-business-plan-2012-2017.pdf>  
[https://about.usps.com/news/national-releases/2013/pr13\\_0410bogstatement.htm](https://about.usps.com/news/national-releases/2013/pr13_0410bogstatement.htm)



---

## ERGP Report on the outcome of the ERGP public consultation on the evolution of the Universal Service Obligation



...

consequence, if further cost reduction is necessary, the future focus will likely to be on the services particularly the delivery of letters given the high proportion of the costs this service represents. (40 % of the cost base of US Mail for example).





...

## 5 CONCLUSIONS

It is clear that the changing nature of consumer needs and organisational demand for postal services will pose major challenges for existing USO operators over the next few years.

Notwithstanding such challenges, all stakeholders agree that there remains an important role for high quality, affordable postal services in support of territorial and social cohesion within and between Member States and that there will remain for the foreseeable future a need for a minimum set of USO services at a European level.

What is also very clear is that while the challenges from changing demand are faced by all Member States there is considerable variation in the speed at which the changes are occurring and the appropriate nature of any response. This includes such factors as the range of services USO operators currently provide (within and outside the national USO), geography, national conditions of employment, social security schemes and legislation and the local level of competition/alternative service providers.

How then should NRAs, Member State governments and the European Commission respond? With a few exceptions, the consensus amongst stakeholders is that while the situation is serious, we are not currently at a point of crisis. At a European level many stakeholders consider that the current legal framework provided by the Postal Services Directive has so far been sufficiently flexible, providing - as it does - a reasonable level of subsidiarity with respect to, for example, the scope of service, quality of service, and price as well as the option for limited derogation from minimum standards where exceptional circumstances or geographic conditions exist. But equally while it is clear that future developments in the legal framework should grant enough flexibility to reflect the very different situation across Europe, it is clear that it is important now to consider whether the framework should evolve so that Member States and USPs can respond strategically to the emerging challenges, and if yes, how they could do this. In this context it should be noted the recent Centre on Regulation in Europe (CERRE) dossier for the European Commission, which after noting that postal services are affected by the evolution of other sectors, particularly competition from electronic communication service, concluded that *"The European Commission should initiate a discussion on whether USO is still meaningful in mail alone, as there are alternative technologies that allow communications to benefit also more remote areas. The Commission should therefore consider a comprehensive redefinition of the USO concept, towards a more general "right to communicate"*<sup>21</sup>.

While most stakeholders suggested that the direction of any potential change must be to maximise the degree of subsidiarity, stakeholders agree that this must be balanced by the identification and legal

---

<sup>21</sup> Fabra, N., çarouche, P., Peitz, M., Valletti T., Waddams, C., and Liebhaberg, B. (2014), network industries: efficient Regulation, affordable and & adequate service, CERRE dossier for the European Commission (2014-2019), pp. 40-41., available *online* at: [http://www.cerre.eu/sites/cerre/files/140618\\_CERRE\\_RegulDossIncomEC\\_Final.pdf](http://www.cerre.eu/sites/cerre/files/140618_CERRE_RegulDossIncomEC_Final.pdf).



...

regulation of minimum service levels. In the event that there is a decision to review the current Postal Services Directive, a key input of such a review should be an assessment of the services required to support intra-state commerce and territorial and social cohesion. Such analysis would need to take account of the changing nature of private and public demand, communication alternatives to post and the trends in commercial service provision. It would also need to take account of an assessment of the financial effect of the decline of letter volumes on universal service providers. Based on the stakeholders' views it appears timely that work is commenced now on the identification of this core set of services to support any future evolution of the Directive and that such analysis is considered by the ERGP and the Commission. To this end the ERGP in the coming months will start an analysis of postal end users' needs to assess whether any change is needed in the current scope of the universal service and, if so, whether it could be done within the flexibility provided for by the current Directive. It should also be noted that stakeholders think such re-evaluation of the legal structure should be subject to an agreed cycle of regular reviews (every 5 year for example) so that the USO remains relevant.

Notwithstanding any future change to the legal framework, the financial sustainability of providing USO postal services to all citizens is likely to remain a challenge. Clearly there is a need for USO postal operators to be efficient in their delivery of services and as some stakeholders noted, any assessment of the cost of the USO should, as set out in the Postal Directive, be an assessment against the costs of an efficient operator. However, there remains the risk that some aspects of service delivery, while socially beneficial, are not commercially viable. In such cases, there was a general consensus amongst stakeholders that public support, via direct public subsidies or a compensation fund<sup>22</sup> must, as far as possible, avoid jeopardizing the development of competition.

It is also appropriate to consider the continued role of VAT exemption for the universal service. Stakeholders hold mixed views as to whether the benefit VAT exemptions offer to support services and ensure affordability balance the impact on competition. What stakeholders consider would warrant further examination is whether the VAT exemption might be more targeted – i.e. to services for which there is no competition or to postal products dedicated to vulnerable or isolated population.

---

<sup>22</sup> Some stakeholders have noted that it is arguable whether a compensation fund is consistent with the promotion of competition given that the benefits of the service are not simply linked to the postal market while the burden would fall solely on that sector



...

## Annex 1

In Czech Republic, decision about net cost of USP for the year 2013 has been issued, but it is not yet in force. Unfair burden for 2013 is about 27 million € and will be financed from compensation fund, where all registered (authorized) postal operators (as well as USP) must contribute. According to the legal framework, the payer (contributor) is every operator who provides postal services (letters, parcels) in the Czech Republic. Postal operators do not have to pay, if their revenues in the accounting period of the provision of postal services are under about 110.000 €.

In Italy, net cost is compensated from state budget. At the moment, the assessment of net cost for year 2013 is ongoing.

In Hungary the method of calculation of net cost and the limit of the maximum amount was not approved till now, but for 2013 and 2014 an unfair burden equal to 15 million EUR was paid out from the central state budget in advance.

In Estonia, companies, that provide postal service requiring a license, have to contribute to the compensation fund. The payment is calculated upon the volumes of licensed postal services of a company, that is universal services and non-universal services, that are similar to universal services (i.e. the delivery of ordinary, registered and insured letters up to 2 kg and parcels up to 20 kg).

In Slovakia, the net costs are prepaid from the compensation fund (contribution from the state budget and partially from the postal companies) and the following year the Regulatory Office decides on actual net costs (of previous calendar year). The difference between actual net costs and preliminary net costs is accounted for and surcharged to USP or refund to the compensation fund. Relating to the principles of unfair burden, the Regulatory Office assess the excessiveness of the financial burden in proceedings for determination of preliminary net costs of the universal service and net costs of the universal service. The Regulatory Office evaluates these criteria:

- a) whether net costs include only sustainable and economically justified costs, both direct and indirect costs of the USP, incurred in providing USO;
- b) whether difference between net costs and intangible benefits is positive;
- c) how much the net costs affected the ROS of USP;
- d) the level of the exploitation of the universal services, its development, economic results and the influence on the economic situation of the USP;
- e) relation between net costs and total revenues from USO;
- f) the market share of USP on the market of USO and interchangeable postal services.

---

## ERGP Report on the outcome of the ERGP public consultation on the evolution of the Universal Service Obligation



...

In Norway a stand-alone calculation is used to consider the costs to carry out the USO. Any surplus from reserved area are deducted in order to get the net cost. The net cost is then covered through public contracts on non-profitable postal services. Compensation fund is not used.

In Spain the NRA is on a process of a proposal of a new methodology to calculate the net cost, moving from a NAC (Net Avoided Cost) to a PC (Profitability Cost) methodology.



...

## Annex 2

The proposed options of BCG regarding Australia are summarised in the table below.

Category/lever	Initiatives	Examples from existing practices
<b>Price</b>  <i>(can be used to align product revenue with the cost of service, and provide incentives for customers to shift to products that are lower cost to deliver)</i>	Price level for basic service	The price of a basic stamp
	Differences in price between service levels (e.g. Speed 1 and Speed 2 services)	The price difference between premium products and the base stamp price, for example percentage price premium paid for faster delivery.
<b>Service</b>  <i>(aim to reduce costs through changes to the model of service provided to customers and closer alignment between product price and cost)</i>	Delivery speed including for alternative speed services	Changes to the delivery speed* could include offering multiple delivery speeds at different price points as is the case in the Netherlands, Denmark and the UK
	Link between letters delivery (especially for fast speed) and parcel delivery	Link between letters and parcels delivery, including whether they are delivered through the same or different delivery networks
	Delivery frequency for slower speed service	Changes in delivery frequency** towards slower speed letters that may only need to be delivered on some days. This is the case in Denmark with its "X/Y" model and "Small Monday"
	Role of retail in letter acceptance and delivery	Role of retail in the letter business, including the role of retail in accepting letters, providing sorting services and managing some delivery services such as delivery to post office boxes or local delivery routes
	Delivery points urban/rural	Delivery points including the mix of street letterboxes, community mailboxes (grouped mailboxes for whole streets or developments, common in Canada), road mail



...

		boxes and post office boxes
<b>Operating model</b>  <i>(aim to reduce costs through changes to the back-end operating model)</i>	Processing model – Centralization	Centralization of operations across fewer processing sites and delivery centers
	Processing model – Automation	Increased automation of letter processing through the investment in a greater number of and/or more sophisticated automated sequencing machines
	Model of delivery (e.g. vans vs motorbikes)	Changes to the model of delivery, such as the mix of motorbikes, vans or alternative vehicles, or innovations in the delivery approach such as the park and loop delivery model used in the UK
	Labour compensation and overtime Labour model (mix of full-time, part-time and outsourced)	Labour compensation and labour model including compensation rates, level of overtime and mix of full-time, part-time and outsourced labour
	Indirect cost	Indirect cost, including the proportion of costs spent on corporate support services such as finance, IT and human resources

\* Delivery speed, which is the time between posting a letter and its delivery to a letterbox or other delivery point. Delivery speeds for ordinary letters are defined in the *Australian Postal Corporation (Performance Standards) Regulations 1998* and vary according to location (e.g. metropolitan or regional and within or between states)

\*\* Delivery frequency, which is the number of days per week letters are delivered to delivery points (including letterboxes and post boxes). Daily delivery (5 days per week in Australia) is required for the delivery of faster speed services.

ERGP Report on the outcome of the ERGP public consultation on the evolution of the Universal Service Obligation



...

The initiatives in Canada are summarised in the table below:

Category/lever	Initiatives from Action plan	Details
<b>Service</b>	Transition to full use of Community mailboxes and elimination of door-to door delivery.	All Canadian households will receive their mail and  Parcels through community mailboxes, grouped or lobby mailboxes or curb side.
	Strengthen the retail network by opening more franchise postal outlets in stores across Canada	Canada post will partner with local retail businesses that are conveniently located in their communities and which offer added benefits, such as better parking and longer hours. This will allow busy Canadians to do more of their shopping in one place. The operator will also streamline its corporate-run post offices.
<b>Price</b>	Introduction of a new tiered pricing structure for letter mail	Customer who buys stamps in booklets or coils will pay \$0.85 per stamp (an increase approximately by 35% compared to current price) with discounts for those that use the mail most. The aim is to better reflect the cost of serving various customer segments
<b>Operating model</b>	Streamlining operations - changes in internal operations in order to make for a more efficient flow of parcels and mail through the network and to the customer.	Changes are driven by technology (such as faster computerized Sorting equipment), consolidation (such as processing mail and parcels in a central location) and providing more delivery employees with fuel-efficient vehicles, so the same employee can deliver both mail and parcels. Improved operations will yield cost-effective and more reliable delivery to Canadians, along with better parcel tracking capabilities

---

ERGP Report on the outcome of the ERGP public consultation on the evolution of the Universal Service Obligation



...

	Addressing the cost of labour	<p>The company will continue to bring the cost of labour in line with its competitors through attrition and collective bargaining over time. Canada Post will also take the necessary steps to permanently address the sustainability of its pension plan. A leaner workforce will create a more flexible and competitive Canada Post, able to respond quickly to the changing marketplace.</p>





...

The initiatives in New Zealand are summarised in the table below

Category/lever	Initiatives	Details
<b>Service</b>	Innovation and experimentation with innovative delivery models	In September 2013 NZ Post announced that local non-priority mail would, from 7 October 2013, take three days to deliver rather than one.
	Reducing the number of delivery days to at least three in urban and provincial areas and to five in rural areas.	The proposal from NZ post was to generally reduce the minimum frequency to three days a week
	Amending the principles for counting the number of points of presence	NZ Post was entitled to count self-service kiosks as points of presence but 240 out of 880 required points of presence should remain staffed.
	Raising the proportion of delivery points served by community boxes	The proportion was raised from 1,5 % to 3 % but the minimum number of delivery points was raised from 1,46 million to 1.91 million.
<b>Price</b>	Significant increases in prices.	NZ Post took advantage of the lack of price control to increase postage rates. In less than two years (2010-2012) prices increased 40%
<b>Operating model</b>	Reducing the number of processing centres from more than 20 in the early 2000s to six up to 2013. Further reduction to only three is announced.	<p>The USO does not set any expectations regarding delivery time frames as these are a contractual matter for the Post and postal users.</p> <p>As a consequence the delay that is likely to result from this reduction to only three processing centres did not put NZ Post in breach of the deed.</p>
	Restructuring its corporate operations.	Leaving 100 out of 1300 corporate staff redundant

ERGP Report on the outcome of the ERGP public consultation on the evolution of the Universal Service Obligation



...

The initiatives in USA are summarised in the table below

Category/lever	Initiatives	Details
<b>Service</b>	Reducing the number of delivery days	Six day parcel delivery and five day mail delivery
	Expanding the centralization of delivery points	
	Modification of the delivery standard for first class mail	The modification is part of the network optimisation.
<b>Price</b>	Evaluation of further options to increase revenues	This includes options to increase revenues across current postal service product categories and products not currently covering their costs.
<b>Operating model</b>	Streamlining and consolidating mail processing facilities	Reducing the oversized processing network. 417 processing facilities reduced to less than 250.  Incentives to retire or resign accepted by roughly 25 000 employees.
	Reducing costs for the retail network	Reduction of hours in 13000 Post offices and replacement of postmasters in small offices with non-career employees. Self service expansion.
	Lowering total workforce cost	The Board seeks a reopening of negotiations with the postal unions and consultations with management associations.



...

## Annex 3

Participants in the stakeholders' workshop held in Bucharest 19<sup>th</sup> November 2014

Country	Company/Institution
BE	bpost
DK	PostNord AB
UK	Citizens Advice
CZ	Czech post
x	UNI Europa
AT	European Confederation of Independent Trade Unions (CESI)
x	Free Fair Post Initiative
RO	DLA Piper
RO	ASSOCIATED GROUP COMMUNICATIONS
IE	An Post
RO	AK POSTAL SERVICES HOLDING SA
x	PricewaterhouseCoopers
FI	Itella Corporation
x	International Post Corporation
x	EUROFEDOP
AT	Austrian Post
NL	PostNL
IT	Nexive
UK	Royal Mail Group
UK	General Consumer Council for Northern Ireland
RO	Eiger Ventures
UK	Mail Competition Forum (UK)
x	FEDMA
x	WIK-Consult GmbH
x	PostEurop
IS	The ministry of the interior in Iceland
x	P R O
HR	Croatian Post
SE	Ministry of Enterprise, Energy and Communications
GR	ACS SA
NL	Ministry of Economic Affairs
DE	German eCommerce and Mailorder Association (bevh)
DK	PortoService / MailMak



...

RO	AOCR
RO	Dynamic Parcel Distribution SA
UK	Royal Mail
RO	Ministry for Information Society
IT	University of Rome Tor Vergata
x	UPS
RO	FAN COURIER EXPRESS SRL
IT	Poste Italiane
RO	FAN COURIER EXPRESS SRL
IT	EVOLO WEB SRL
IT	Italian Ministry of Economic Development
x	Copenhagen Economics
NO	Posten Norge AS
DE	Deutsche Post DHL
ES	Correos
SI	Pošta Slovenije / Post of Slovenia
FR	La Poste
RO	BDR Associates
RO	PostMaster SRL
PL	Poczta Polska
IT	Law firm Cintioli & Associati
RO	GOLD PRESS MEDIA
TK	Ministry of Transport Maritime Affairs and Communications
RO	CNPR
CY	Cyprus Post
RO	A.N.P.C.P.P.S.Romania
CZ	Ernst&Young Czech Republic
TK	Turkish PTT Corp.
x	UPU
RO	Consiliul Concurentei