



## **Postal regulation and the twin transition of the postal sector**

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# Parcel Market - Continuous Growth and High Degree of Competition

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- No signs of market failure
- Increasing demand for parcel delivery services due to growing e-commerce
- Innovative solutions for the B2C segment to meet changing consumers' needs
- Competitive pressure resulted in benefits for both consumers and ecommerce shippers
- Added value services to provide delivery flexibility and efficiency
- Tariff transparency for users (Cross-Border Parcel Regulation)



*No specific elements to justify a revision of the regulatory provisions governing parcel delivery services*

# Letter Mail Decline and Sustainability of the USO

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- Digital substitution process
- Need to ensure provision of a letter service in an economically sustainable way
- Financially challenging to maintain specific USO requirements (delivery frequency)
- Solutions should remain market neutral and not cause any competitive distortion
- Regulatory oversight on pricing, quality of service and USO net cost compensation



*Minor adjustments to the regulatory framework to allow for the provision of a letter mail service on a financially sustainable basis*

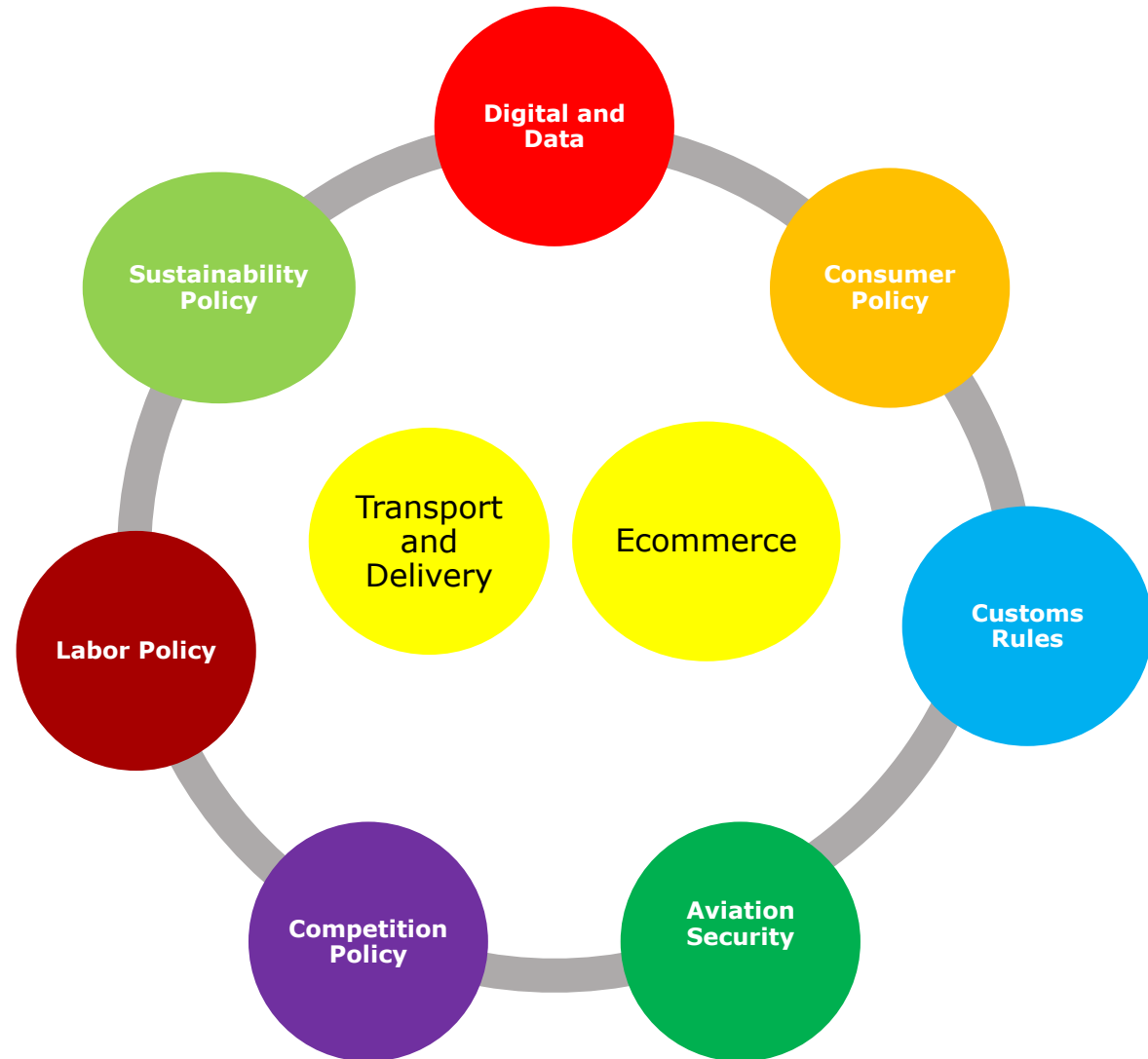
# Correct Cost Allocation to Avoid Risk of USO Overcompensation

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- European USPs benefit from substantial amounts of state aid from national governments
- Risks of competitive distortions arising from increasing state aid
- Developments in the postal services market amplify such risk:
  - high number of funding sources (risk of double compensation);
  - overlapping regulatory frameworks (risk of methodological misconceptions);
  - more parcels in USPs' product mix and joint use of technologies and infrastructures to deliver letters and parcels (risk of overcompensation).
- Correct allocation of costs used in USO net cost calculation becomes highly important
- Only costs that are incremental to the USO should be included in the net costs
- Cost incrementality principle can help to allocate common costs, estimate joint costs and distinguish between fixed and variable costs

# Role of Existing Legislations and Need for Regulatory Complementarity

- Ecommerce, transport and delivery activities highly regulated
- Existing rules to apply equally to all postal operators (fair competition)
- Sufficient legal certainties for consumers, shippers and traders
- Sustainability as an example: limited NRAs experience but own initiatives taken by postal operators
- Changing postal regulatory framework to include these aspects can be counterproductive
- How about EU Better Regulation Principles?





**THANK YOU**