Postal regulation and the twin transition of the postal sector

ERGP Stakeholder Forum
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Parcel Market - Continuous Growth and High Degree of Competition

- 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

- 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

• 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:
  o high number of funding sources (risk of double compensation);
  o overlapping regulatory frameworks (risk of methodological misconceptions);
  o 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
• 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